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"THE CITY"

No. 8. JULY, 1917

A publication devoted to the promotion and application of scientific principles of government

Application for entry as second-class matter at the postfice at San Francisco pending

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Issued by

THE SAN FRANCISCO BUREAU OF GOVERNMENTAL RESEARCH

WINFRED B. HOLTON, JR., Director

Offices: 803 Flatiron Building, San Francisco

Subscription, $1.50 per year

Publications of "The City"

1. **A Ten Years' Tax Review** (Bulletin)
2. **A Real Budget for 1917-18** (Bulletin)
3. **Recognizing Business Principles in Legislation** (Bulletin)
4. **War Time Finance** (Bulletin)
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6. **The Pay Day Parade** (Bulletin)
7. **Miscellaneous Revenues and Their Effect Upon Property Taxes** (Bulletin)
8. **Quarterly Review** (Pamphlet)

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WHAT'S THE MATTER WITH THE BUDGET?

For the last two years, as soon as the period of budget making has come to an end, the citizens of San Francisco have been forced to listen to an acrimonious exchange of personal abuse and criticism between various city officials. It has added nothing to the prestige of the city that those responsible for the preparation of the estimates and the passing of the annual appropriation ordinance have attempted to dodge the responsibility for the manner in which the work was done.

Who is responsible? What is the cause of the trouble? Will the citizens permit the present situation to continue? What is the remedy? Who will lead the way?

Questions there have been without end—but municipal finance is a tangled jungle of politics and law—and the sun of understanding seldom reaches to the roots. If the people of this community could be brought to a clear understanding of just what was being done with their money—if the voter could but perceive the dispassionate utilitarianism of those who make a profession of politics—if the citizen would simply insist on his right to understand—to have the facts—something could be accomplished. Until the time comes when the people generally understand the situation, it will be difficult to effect a cure.

The budget meetings of the Board of Supervisors reacted variously on the gallery of citizens and city employees who attended them. The citizens who were not regular attendants showed plainly their surprise at the manner of the proceedings. The regular attendants, both citizens and city employees, appeared to have become more or less inured to the situation, and a feeling of whimsical amusement alternated with one of plain disgust.

The following article purposes to trace in brief the history of this year's budget-making. There are a number of circumstances to be related which do not redound to the credit of this city. There are a number of unpleasant incidents to be recalled which are aggravated in importance in the minds of

those who know the budget history of this year; not alone on account of their intrinsic importance, but also on account of the underlying attitude of mind which was primarily responsible for their existence.

What Has Been Accomplished.

An impartial critic of the budget work of this year could not, however, pass directly to criticism of faults without noting the distinct advance in budget-making methods resulting from this year's work. If there could be eliminated from this review the remembrance of the attitude of the board of supervisors in considering the proposals of its finance committee and the attitude of the mayor in objecting to the object of expenditure classification ordinance and the accounting plan, the budget-making of 1917 would have been indeed creditable. For instance, the budget estimate forms employed by the departments were far superior to those previously used. The estimates were prepared and itemized according to a standard uniform classification of objects of expenditure. Extensive departmental hearings were held before the finance committee. A modern form of appropriation ordinance—drawn in such manner that departmental accounting and administration will be facilitated instead of impeded—was established by the board of supervisors. The citizens have been assured that the tax rate for next year will be lower. In general, the mechanics of budget-making have been started on the right road. However, the substance of the appropriation ordinance, in part, and the manner of its consideration in toto are open to serious criticism.

Parcelling Out $15,000,000.

The meetings of the board of supervisors were as irresponsible as they were undignified—the proceedings being generally permeated with partisan and personal politics. For a week in public the supervisors met—laughed, shouted and whispered; played horse and politics—log rolled and pork barrelled, after which they adjourned to the star chamber and parcelled out Fifteen Million Seven Hundred Thousand Dollars of the taxpayers' money in the course of a few hours. To those who attended the budget meetings, it seemed scarcely necessary for the supervisors to go into executive session to complete their

consideration of the budget. If the supervisors are able to retain the confidence of the public in spite of the kind of proceedings which characterized the budget meetings of this year, they have nothing to fear from a scrutiny of their executive session from that same public. Star chamber meetings, conferences, caucuses—call them what you will—are only necessary when the civic consciousness of a community has been awakened to demand something better than what the officials are willing to give.

It is somewhat of a strain on one's belief in what has been called representative government to attend the meetings of the board of supervisors during budget-making time. It is a distinct shock to find the regularly elected officers of a city of a half million people having so little respect for the responsibilities of office—but a bigger surprise that the citizens of a community permit such proceedings to continue. For the budget sessions of last year were quite as remarkable as this year's meetings.

The Crux of the Budget Question.

We have heard a dozen remedies proposed. The system is wrong. The charter is a botch in its financial provisions. The board of supervisors is too large. The mayor has no specifically authorized duties in the making up of the budget estimates. The state legislature has passed burdensome laws, making mandatory many specific appropriations. Each of these is true to a considerable extent, but the root of the difficulty lies deeper than all of this. There is apparently no real desire for improvement. The quickening influence of a real urge to do something for the common good is lacking. The desire to build better streets as a community service is entirely outweighed by the desire to build streets in kind and number merely as a local and individual political asset. Despite the deficiencies in the financial provisions of the charter, despite the ambiguities in defining responsibility, despite a very cumbersome machinery—had the desire for improvement been present, the most objectionable features of the present method of budget-making would have long since been eliminated.

More has been and can be accomplished by extra-legal means backed by public opinion than has ever been forced out of

unwilling public officials by mandatory legislation. What is needed most is a mental shower bath. Before we have any revision of law which will make it easier to accomplish what it is desired to do, let us have a revision of ethics which will insure the carrying out of the intent of the people as it is implied in the law.

Futility of Public Hearings Under Present System.

Among the many weak financial provisions in the charter, there is none less effective, none more fatuous—measured by the results obtained—than that providing for public hearings on the budget. The charter states that the board of supervisors must hold public hearings on the budget at which the taxpayers and citizens shall be heard. The time is carefully stated and there is added the express stipulation that the supervisors must attend. It would seem that the law had made clear the intent of the people.

The effect, or ill-effect, of this carefully worded provision is quite remarkable. The law might be amended to require that the supervisors remain in their seats while citizens are being heard; that no newspaper be read while a citizen is speaking; and that the supervisors devote their full attention to the question under discussion. Appearances would be improved but no real forward step accomplished—for you can't legislate ethics or a desire for community service into the mind of any man who apparently regards community service as either the fetish of fools or a closed book.

It is not the purpose of this article to enter into a long discussion of the technicalities of budget-making—principally for the reason that it wouldn't be read except by those who are interested in the mechanics of municipal finance. A descriptive title for what was planned to be a popular discussion of local budget methods is not necessary in any event, for if the description of the budget proceedings of the last two months were written in such a way that it would be read as a treatise for popular consumption, it would be correspondingly unpopular with those who were responsible for its writing.

Neither is it the purpose of this bureau to indulge at length in a spirited criticism of those many incidents during the making of the final appropriation proposals when the political

paranoia was at its height. Perhaps it is an over-indulgent optimism which prompts the thought that in this instance an intensive review of a series of questionable incidents is not requisite to securing relief in the future. The essential elements can be shortly told.

New Budget Forms Employed.

Early in the year the finance committee had had prepared a number of revised budget forms for use by the various departments in making up their budget estimates. These, together with a standard uniform object of expenditure classification, were transmitted to the departments in February.

One of the bright spots in the 1917-18 budget preparation was the spirit of real cooperation with which the departments entered into the work of preparing their detailed budget estimates on the improved forms. These forms required statements in specific detail of the expenditures of the departments for the six months period up to January 1, 1917, segregated according to a uniform classification of objects of expenditure. No more striking evidence of the weakness in the city's accounting procedure could be found than the series of almost insurmountable difficulties encountered by the various departments in attempting to prepare their budget estimates according to the revised procedure. The excellence of the work done in compiling the budget estimate sheets redounds entirely to the credit of the accounting officers and departmental executives who gave generously of their time both day and night during the period of their preparation.

The Finance Committee Hearings.

By the middle of March the various estimate sheets and summaries had been completed and the finance committee's departmental hearings were begun. It is somewhat of a misnomer to call the hearings of this year "finance committee hearings." The chairman of the committee, Supervisor Power, attended every meeting. Supervisor Gallagher attended a few of the later sessions. Supervisor Nolan was in attendance for only a few moments during the entire series of hearings, which extended over a period of about one month.

The record of the minutes of these hearings, which is a

condensed statement of the principal points brought up and discussed in relation to departmental requests, constitutes a volume of about 500 typewritten pages. It is a remarkable document—first, in that it contains much valuable information regarding the points of view of various city officials, and second, because it shows very clearly the appreciation by the various departmental executives and the chairman of the finance committee of the pressing need for a substantial revision in the city's entire budgetary procedure.

The manner in which the departmental officials cooperated in the preparation of the revised budget estimate forms and their sincere efforts, for the most part, to provide both citizens and officials with more adequate and accurate information regarding the needs of their departments was not the only commendable phase of the budget work. The conscientious, consistent efforts of the chairman of the finance committee in his never ceasing attempt to place the budgetary procedure of the city and county of San Francisco on a higher plane; and the efforts of the majority members of the finance committee, Supervisor Gallagher in the chair and Supervisor Power on the floor, to cut down the appropriation totals and to stimulate in the board an appreciation of the true responsibility involved in budget-making—are also deserving of commendation.

It would not be fitting to pass over the minority finance committee report prepared by Supervisor Nolan without mention.

In general, this report showed a desire on the part of Supervisor Nolan to enforce economy in the administration of the public's business. It is unfortunate that there were submitted this year two reports of the finance committee—a majority report and a minority report—for the reports in aim and purpose were so closely aligned that there was really no need for such a radical disagreement over mere incidents of detail.

A Brief Comparison of the Three Reports.

A comparison of the majority report with the minority and the auditor's reports offers conclusive proof of the contention of this bureau that a real budget for the city of San Francisco should not and can not be prepared by any one man or any small group of men. One case is particularly illumi-

nating: In the majority report, the recommendation for appropriations for 1917-18 for the fire department were prepared as the result of the cooperative work of the chairman of the finance committee, the executive officers of the fire department, and representatives of civic agencies, of which the San Francisco Bureau of Governmental Research was one. The fire department proposals in the minority report were prepared by Supervisor Nolan and one or two advisers apparently without conference with the departmental executives. As a consequence, many of the specific proposals included in the fire department section of the minority report proposed the appropriation of money for a number of detailed activities which either had already been abandoned by the department or which would be eliminated before the close of the fiscal year.

Similarly, the auditor's proposal, although recognizing the changes already effected in the fire department organization, did not take into consideration the proposed changes in organization and procedure contemplated for the fiscal year 1917-18.

The Three Budgets.

In the matter of budget proposals, the following is a short statement:

On May 1, 1917, the auditor submitted what was called variously "the auditor's budget," "the auditor's budget estimate," etc.—and which was in reality the auditor's proposal of a *pro forma* appropriation ordinance — amount, $15,257,-898.50.

On May 14, 1917, the majority report of the finance committee was submitted to the board of supervisors. It included a *pro forma* appropriation ordinance recommending appropriations amounting to $15,285,670, and a budget statement explaining the recommendation. It was signed by Supervisor Power, chairman of the finance committee, and Supervisor Gallagher.

On the same day a minority finance committee report was submitted by Supervisor Nolan. This report consisted of a *pro forma* appropriation ordinance and a budget statement explaining the recommendations. The total amount recommended was $15,151,043.

Thus the supervisors and the citizens had three proposals to consider, in total amounts as follows:

1—$15,257,898.50—By the auditor.
2—$15,285,070.00—By Chairman Power and Supervisor Gallagher.
3—$15,151,043.00—By Supervisor Nolan.

There was little agreement in the detail amounts. The form of presentation was different in each proposal. It would have taken days, probably weeks, of tabulation to present them in comparable form item by item.

The First Public Hearing.

On Wednesday a public hearing was held. Delegations from practically all of the civic organizations were in attendance. Many of the commercial organizations sent representatives. Organized labor and organized city employees were represented. The meeting progressed with painful slowness—without plan and practically without result. Many of the citizens had copies of the majority report, some had copies of the minority report, a few had copies of the auditor's proposal. All were trying to understand the legerdemain of the supervisors' budget-making methods and few succeeded. The meeting continued into the evening and was resumed Thursday morning. Many citizens appeared and were heard by the few supervisors who happened to be in their seats. The public hearings on the 1917-18 recommended appropriations closed without incident of note. The supervisors breathed a sigh of relief at the perfunctory completion of a charter-prescribed duty and promptly adjourned until Monday of the following week.

On Monday the board met to consider the various proposals. In the meantime a revision of the majority finance committee proposal had been prepared and was submitted to the board to take the place of the first report. In this second proposal the total amount had been increased by $54,600, to establish a general fund against which the various institutions could draw if their appropriations for provisions were found to be too low; and by $2,796 for minor changes in the health department. The amount of the majority finance committee proposal was then $15,343,066. Supervisor Gallagher assented to the introduction of this additional amount under protest.

The Mayor Enters a Protest.

The mayor, after calling the meeting to order, remarked that he had not been consulted in any way as to the form or substance of the budget proposal and intimated that the majority report of the finance committee had been prepared by the San Francisco Bureau of Governmental Research. The mayor referred to the survey report prepared by the New York Bureau of Municipal Research for the San Francisco Real Estate Board during the summer of 1916, calling attention to the fact that the survey report recommended strongly an "executive budget plan."

The mayor was answered by Director Holton of the San Francisco Bureau. In the reply it was pointed out to the mayor that the first office with which the suggestions of the San Francisco Bureau regarding an improved budget procedure for this year were taken up was his own—and that the suggestions were presented to his secretary for submission to him. It was also pointed out that an executive budget plan simply added other steps to the procedure already carried out and had the mayor of the city desired to carry out the complete program of an executive budget plan, the San Francisco Bureau of Governmental Research would have been glad to have cooperated in the work.

Other matters of a routine nature were before the board for the afternoon meeting so consideration of the budget was postponed until the evening session. The mayor did not again return to the chair at any time during the consideration of the budget.

There then began a series of budget meetings which continued afternoon and evening until the end of the week.

The Minority Report Discarded.

At the opening of the consideration of the various proposals, with Supervisor Gallagher in the chair, Supervisor Hayden moved that the minority report of the finance committee prepared by Supervisor Nolan be laid on the table—which was done by a vote of 16 to 2. As no action was taken on the auditor's recommendations, it is to be assumed that in accordance with former practice the precedent of paying no attention

whatsoever to his proposals *ipso facto* laid the auditor's report on the table.

The majority report of the finance committee was then taken up for consideration. Supervisor Nolan requested to be recorded in the negative on every vote on the items of the majority report—which, with a few exceptions, was done.

Dropped Positions Discovered.

The first gun of the battle was fired when it was discovered that three positions under the board of supervisors' office had been dropped in the recommendation of the finance committee. On motion of Supervisor Nelson and by vote of 15 to 2 (Supervisors Power and Gallagher voting no), the two inspectors of water and light were put back on the pay-roll—later the third position was also put back. The taxpayers had lost in the first skirmish.

The Tax Rate Temporarily Reaches $2.50.

By Wednesday afternoon, May 23rd, 1917, the report of the finance committee had been increased by approximately $220,000. As a result, a resolution was passed to the effect that whenever a motion was made proposing to increase the recommendation of the finance committee (majority report) that the question be laid on the table temporarily until the entire report of the finance committee had been considered. By Thursday evening the report of the finance committee had been increased by approximately $1,035,000, of which approximately $220,000 had already been passed. If these increases had been finally adopted the tax rate for 1917-18 would have been at a point higher than $2.50.

Thus the board was confronted with a situation almost identical with that of the year before. Supervisors, from the floor, intimated that the proceedings had degenerated into a farce. The majority report of the finance committee, which had been given weeks of careful consideration, was apparently being used principally as a guide-book to discover possibilities for moving increases. Individual members of the board were proposing to add story upon story to the budget structure without knowing what was to support the weight of the increases. It is a remarkable fact that up to that date but one

suggestion had been formally made by motion to reduce any of the appropriations recommended in the majority report of the finance committee—and that failed.

The Executive Session.

Evidently realizing that this method of budget-making was becoming altogether too absurd, the board, with the exception of Supervisor Nolan, went into executive session about midnight Thursday and remained behind closed doors until eight o'clock Friday morning.

Details are not available of the board's actions in the executive session. That it was a fitting climax to the public sessions seems apparent from the bits of evidence that filtered out—at least one secret ballot (rumor says nineteen votes were counted for the eighteen supervisors), personal abuse and recrimination, valiant personal efforts to keep "pet" projects in and to eliminate those of others that their own might have the better chance.

But by eight o'clock Friday morning, when the chairman hurried in and rapped for order, the details had been arranged. The parliamentary procedure was carefully followed. Appropriate motions were made and seconded, and the only delay in the "passing to print" of the budget was when a sleepy supervisor would forget to make the necessary motion—and when Supervisor Nolan tried to ascertain how he could have the budget as it stood amended by substituting his minority report.

A Tax Rate of $2.31.

There ended the supervisors' part in making the 1917-18 budget appropriations by means of which a bill of $15,737,990 was contracted for the taxpayers to meet. The members dispersed, some satisfied, some not certain that the people would feel that their interests had been well taken care of by their representatives. They started out with increases over the finance committee's report amounting to over $1,635,000, and reduced these increases to an increase of $394,924 over the recommendation of the finance committee. The tax rate was announced as $2.31.

1917-18 BUDGET APPROPRIATION INCREASES BY BOARD OF SUPERVISORS OVER FINANCE COMMITTEE RECOMMENDATIONS

Fund or Dept.	Amount	Per Cent Increase
Bond Interest (School Bonds)	$ 58,400	2.7
Board of Supervisors and General Appropriation	147,980	10.0
Auditor	300	.7
Elections (School Bond Election)	40,000	18.5
Health	71,806	7.6
Mayor	300	1.3
Playground	30,000	37.5
Sealer of Weights and Measures	500	3.0
Sheriff	10,000	5.6
Board of Works	12,488	.9
Education	10,000	.4
Library	13,150	12.0
Total increases	$ 394,924	
Finance Committee recommendation	$15,343,066	
Total allowed by Board of Supervisors	$15,737,990	
Average total per cent increase		2.6

On the Monday following, May 28th, when the budget came up for vote at the regular meeting of the board, the mayor, as chairman, took the board severely to task for "the worst botch," as he characterized the budget. The mayor spoke of the executive session, secret voting, the elimination of the tuberculosis sanitorium appropriation, and the cut in the board of works appropriation. In this connection it should be remembered that the mayor did not attend any of the budget meetings of the board when the details were being considered.

The Board of Works Cut.

Immediately after the mayor had concluded his comments, representatives of the labor council appeared on the floor of the chamber to voice their protest against the dismissal of laborers threatened by the board of works on account of the cut in their appropriations. A lively hour or so followed, during the course of which personal insinuations, charges of

incompetence and fiery declamations followed each other in rapid succession. Supervisors Gallagher and Power defended ably the cuts in the board of works appropriations. Finally the mayor rose to defend his appointee, the president of the board of works, about whose department the denunciations centered, and comparative calm followed the eulogy that Mr. Reardon received.

One outcome of this meeting was the signed statements and interviews appearing in the daily press. The board of works, backed by the mayor, on one side, is quoted as saying that the $50 a day "experts" assisting the Finance Committee couldn't even add correctly, that the committee had founded their recommendations for public works appropriations on ridiculous information and were now grossly misleading the public in the attempt to bolster up their case, and that a large number of men would lose their jobs, as no money had been appropriated for them. On the other side, two members of the finance committee—Supervisors Power and Gallagher—in a signed statement said that no $50 a day expert was used during the preparation of the budget, that the city was forced to pay as much as 200 per cent over and above the true worth of work when it was performed by the board of works, and that adequate provision had been made for all necessary men.

The Budget Goes to the Mayor.

With all these contradictions as a background, at the next regular meeting of the board—June 4th—the budget came up for second reading, and was passed with Supervisors Gallagher and Nolan voting no. Two days later, together with an ordinance defining certain accounting terms employed in the language of the appropriations, the budget ordinance was transmitted to the mayor for his action. Contrary to his practice of last year, the mayor did not hold open meetings in his office to discuss the appropriations, and thus the public was left in the dark as to his intentions.

The ten-day period allotted the mayor for considering the budget lapsed on Saturday, the 16th of June. The day witnessed the return of the ordinance defining certain accounting

terms—establishing an object of expenditure classification—marked "disapproved"—and the remains of the budget ordinance. The budget ordinance was so blue penciled that it looked as if an ink-well had been upset over it.

The section of the appropriation ordinance which had for its object a daylight accounting of where the citizens' money was to be spent was crossed out and the words "Rubber Bands vs. Lead Pencils" inserted as the explanation of this elimination. Practically all intemization of the sums going to make up the various appropriations was crossed out. Standard accounting titles for the appropriations were deleted in most instances, as were the code symbols referring to the object of expenditure classification.

Mayor Cuts Out $18,300.

As to actual reduction in the amount of the budget, the mayor's veto reduced the gross sum $18,300. This amount was made up by the elimination of a $2100 clerk in the board of supervisors; an assistant to the horticulturist at $1200 and a cut of $15,000 in the amount appropriated for the installation of a uniform system of accounts for the city.

The formal message of the mayor to the board of supervisors explaining the reasons for the exercise of the veto power consisted merely of marginal notes on the appropriation bill—thus in reducing the clerk-hire of the board of supervisors, the note reads: "I cut out one assistant clerk, viz., Mr. Chas. H. Forbes unnecessary 'Expert' in making up 'Minority Budgets' for two years, both of which your Honorable Board threw in the waste-paper basket". His reason for reducing the appropriation for accounting fees was: "I cut out $15,000 for 'Expert Accountants' as unnecessary and whose services during the past year at a cost of nearly $10,000 have shown no practical results." "I cut out $1200 for one Assistant Horticulturist. Judge Thos. F. Graham is performing this service without cost to the taxpayers," was the explanation given for reducing the appropriation to the County Horticultural Commission. Further notations on the veto message included the words "Added wrong," "Add this" and "Get another copy."

The Supervisors Request an Opinion From the City Attorney.

On Monday, June 18th, the board of supervisors met to consider this veto message. The city attorney was requested to submit a number of opinions regarding the mayor's vetoes—first, whether the board might legally vote at that time on the mayor's veto; second, whether the mayor had the power to veto part of the appropriation ordinance; third, whether the mayor could veto the accounting titles contained therein, and create lump sum appropriations by dispensing with the itemization supporting appropriations. During the course of the meeting the mayor read into the record a statement of his reasons for disapproving the ordinance establishing a classification of objects of expenditure, saying that he was in favor of establishing a uniform system of accounts but that he was opposed to the employment of a private firm of accountants to do the work. Later, it transpired that actual consideration of the budget veto must be deferred until Thursday as the city attorney ruled that five full days must elapse following the receipt of the veto by the clerk of the board before it could be legally considered.

Civic Organizations Request Board to Override Veto.

Meanwhile, the veto was given wide publicity, and comment was rife as to the legality and reasons for the mayor's drastic action. Public sentiment in this connection was evidenced by the action of many civic organizations. The chamber of commerce transmitted a letter to the individual supervisors petitioning them to override the veto of the mayor, stating in part that in vetoing the itemization in the budget the mayor had overstepped his authority and unless the appropriation ordinance was restored to its previous form, the tax rate might be prejudiced. The real estate board, in a communication to the supervisors, also urged the board to retain the budget as passed to print and pass the object of expenditure ordinance inasmuch as both ordinances marked a forward step in a program to shed light on the details of the expenditure of public moneys. The civic organizations were unanimous in their advocacy of the adoption of the object of expenditure classification and the passage of the appropriation ordinance in its original form.

The City Attorney's Opinion.

Thursday morning the board again convened to consider the mayor's vetoes. Immediately after the meeting had been called to order, the opinion of the city attorney upon the disputed points was called for and read. In the opinion, it was pointed out that five full days must elapse following the receipt of the veto, before it could legally be considered. Action by the supervisors had, therefore, to be deferred one day longer. As to the elimination of the itemization of appropriations and parts of the appropriation ordinance, the city attorney presented the legal interpretation of charter and other provisions governing the case and ruled that the mayor had no right to exercise his veto in this manner. Therefore, the appropriation ordinance, in form and language, remained as it had been originally passed by the board. At the conclusion of the reading, the board adjourned until the following day.

The Final Budget Meeting.

Space is not available in this discussion to present in detail the proceedings of Friday's meeting. From beginning to end the meeting was little more than a series of wrangling debates between the mayor and the members of the board of supervisors. With the exception of a short statement by Supervisor Hynes, no citizen or supervisor arose on the floor to defend any of the mayor's veto actions. The mayor spoke frequently and forcibly from the chair and was answered in kind from the floor of the house.

Friday's meeting is to be remembered principally on account of three circumstances. First, the unanimity with which civic organizations urged the overturning of the mayor's veto; second, the underlying motives which prompted much of the heated debate; and, third, the roll calls.

The Mayor Goes Into Detail.

The mayor opened the proceedings by reading into the records additional reasons for his veto actions, stating, in part, that he desired to express his entire disapproval not only of the form of the appropriation ordinance but of the substance of the appropriations as well. The object of expenditure classification ordinance was considered first.

At this point the civic league of improvement clubs of the city submitted a letter petitioning the board of supervisors to overturn the mayor's vetoes. A representative of the league was granted the floor and presented ably the reasons for the league's present position in the matter of the mayor's vetoes. In presenting the position of the civic league, their representative, in part, pointed out that the civic league and other citizen organizations had, for many years, been urging the establishment of an intelligible accounting system and that the mayor's veto action in disapproving of the object of expenditure ordinance and in cutting out the terms and conditions of the appropriation ordinance and also in vetoing the amount set aside for an accounting installation, if permitted to stand, would seriously impede the development of the city's accounting and financial procedure.

On motion of Supervisor Power, Director Holton, of the S. F. B. G. R., was granted the floor to explain the purposes of the object of expenditure classification. He stated that the purport of this ordinance was merely to establish definitions of accounting classifications. Similar classifications have been adopted all over the country in order to provide a means for indicating the various items for which public money is expended. Any installation of a uniform system of accounts, whether by a private firm of accountants or by the state board of control, would be founded on just such a classification. The adoption of this classification would materially assist the departments in their expenditure accounting. Fortunately, the object of expenditure ordinance, although desirable, is not absolutely essential to the carrying out of the expenditure classification plan.

After having heard a representative from Klink, Bean & Co.—the accountants who had been engaged to install a uniform system of accounts for the city—the board adjourned until after the lunch hour.

The Finance Committee Presents Its Side.

During the course of the afternoon session Supervisors Power and Gallagher presented to the board the reasons for the stand taken by the finance committee. Supervisor Gallagher stated that whereas he had previously opposed the

employment of private accountants, he felt sure that Klink, Bean & Co. had faithfully performed their work. Regarding the matter of the form of the budget and of the appropriation ordinance, he stated that the use of the new budget forms had saved the city $100,000, not including the reductions in the board of public works appropriations. Supervisor Power later presented an answer to the mayor's vigorous criticism of the cut in the appropriations for several of the departments and argued for the retention of the accounting appropriation. Answering the mayor's argument for the use of the state board of control in the designing and accounting system for San Francisco, Supervisor Power stated that the state board of control had been urged to join in the work—that everyone who could assist and would assist in the work had been and would continue to be invited to cooperate. In closing, he remarked that he did not believe the mayor would care to have the board of control in too close touch with the affairs of the city government in view of the political situation pending.

The Vote on the Vetoes.

About six o'clock roll-call on the mayor's vetoes was ordered. The tabulation of votes follows:

VOTES OF SUPERVISORS ON MAYOR'S BUDGET VETO AND DISAPPROVAL OF OBJECT OF EXPENDITURE ORDINANCE—JUNE 22, 1917.

Eliminating Forbes, Clerk of Board of Supervisors.		Reducing Item for Accounting Fees.		Elimination of Assistant Horticulturist.		Object of Expenditure Classification.	
To Sustain Veto.	To Override Veto.	To Sustain Veto.	To Override Veto.	To Sustain Veto.	To Override Veto.	To Sustain Veto.	To Override Veto.
	Brandon	Brandon			Brandon		Brandon
	Deasy		Deasy		Deasy		Deasy
	Gallagher		Gallagher	Gallagher			Gallagher
	Hayden		Hayden		Hayden		Hayden
	Hilmer		Hilmer	Hilmer			Hilmer
	Hocks	Hocks		Hocks		Hocks	
Hynes		Hynes		Hynes		Hynes	
Kortick		Kortick		Kortick		Kortick	
	Lahaney	Lahaney		Lahaney		Lahaney	
	Mulvihill		Mulvihill		Mulvihill		Mulvihill
	Nelson	Nelson		Nelson		Nelson	
	Nolan		Nolan		Nolan		Nolan
	Power		Power		Power		Power
	Suhr	Suhr		Suhr		Suhr	
	Welch	Welch		Welch		Welch	
	Walsh		Walsh		Walsh		Walsh
	Wolfe		Wolfe		Wolfe		Wolfe

Supervisor McLaren absent.

With the exception of the action of eliminating Mr. Forbes, the vote of the board permitted the mayor's vetoes to stand.

The actual fluctuation in the total amount of the appropriation ordinance during the course of the budget proceedings, and a comparison with the 1916-17 appropriation total is shown in the following table:

COMPARATIVE SUMMARY OF BUDGET APPROPRIATIONS.

1916-17	Appropriated	$15,668,110
1917-18	Recommended by Finance Committee	15,343,066
	Passed by Board of Supervisors	15,737,990
	Approved by Mayor	15,719,690
	Finally passed	15,721,790
	Increase 1917-18 over 1916-17	53,680

A Revision of Budget Procedure Necessary.

A review of the budget history of this year demonstrates conclusively the need for a radical revision in the financial provisions of the charter. It is not meant by this that most of the desired changes in procedure can be put into effect only after charter revision. On the contrary, the majority of the most needed changes can be secured by cooperation. However, the point is made that on account of the many personal differences which exist amongst the various city officials, strong measures are needed. Furthermore, a campaign to revise the financial provisions of the charter would be invaluable as an educational medium.

Municipal finance is a somewhat complicated problem, but when analyzed into its various elements, it is no different from the ordinary problems of business. Find out first the weaknesses which should be corrected. The diagnosis is not difficult, the remedy is even simpler.

A Logical Budget Plan.

What are the principal faults in the present budgetary procedure,—

First—The mayor is not required to assume executive responsibility for the development of a plan.

The remedy is simple. Requiring departmental estimates to be submitted to the mayor, reviewed, revised

and finally approved by him, and in turn transmitted to the board of supervisors.

Second—Neither citizens nor the board of supervisors are presented with the essential facts touching revenue raising and the associated fiscal information regarding the status of the city's finances.

The cure here is equally simple. Provide that the auditor shall submit to the mayor and to the board of supervisors a statement of the city's financial condition, and that the mayor shall submit to the board of supervisors with his executive budget proposal, measures for revenue-raising, together with a clear statement of the financial condition of the city.

Third—The auditor's duties are not clearly prescribed. The auditor, in interpreting the ambiguous specifications of the charter regarding his budget returns, has always prepared a separate and distinct appropriation ordinance proposal.

The remedy here also is obvious. Define specifically in the charter the auditor's duties and eliminate from his duties the preparation of a budget ordinance proposal.

Fourth—Under the present practice, citizens are at no time given a clear idea of the mayor's or the supervisors' financial plan.

The cure for this evil lies in the mayor's executive budget proposal to the board, with the additional requirement that the board of supervisors pass a tentative budget appropriation ordinance prior to the time when citizens are asked to express their views regarding the details of the plan.

Fifth—The confusion in the board of supervisors which arises from considering increases and decreases to appropriation items at the same time makes it impossible for the average citizen to understand the effect which any particular increase or decrease will have on the total appropriations and in turn on the tax rate.

To eliminate this difficulty, it is only necessary to require the board of supervisors to pass a tentative budget ordinance at the end of the first period of con-

sideration; to determine the total of the tentative appropriations and the resulting tax rate; to present this information to the public and then devote a period of one week to hearings during which time only decreases in the tentative items of appropriation will be considered.

A Suggested Chronology of Budget Procedure.

The following tabulation is a suggested chronology for the budget-making period offered by this Bureau for the consideration of citizens and officials. It contemplates the crystallization of executive responsibility and the clarifying of financial issues involved in the consideration of the annual budget. Charter revision is necessary but important forward steps may be taken pending charter revision.

A Suggested Chronology follows:

1. 2nd Monday in March—
   Submission to the mayor of
   1. Departmental estimates.
   2. Auditor's revenue estimates and statement of city's financial condition.
2. 2nd Monday in March to 2nd Monday in April—
   1. Review of associated financial statements by mayor.
   2. Review of estimates by mayor.
   3. Hearings in public with department executives.
   4. Preparation of mayor's proposal.
3. 2nd Monday in April.
   1. Submission of mayor's proposal to board of supervisors.
      Proposal to contain—
      1. Departmental estimates.
      2. Proposed appropriation ordinance.
      3. Revenue estimates and measures of revenue raising.
      4. Associated financial statements.
      5. Mayor's budget statement.
   2. Referring of mayor's proposal to finance committee of board of supervisors.
4. 2nd Monday in April to last Monday in April—
   1. Review of mayor's proposal by finance committee.
   2. Departmental and public hearings.
   3. Auditor's estimates submitted and reviewed.

5. Last Monday in April—
   1. Report of finance committee, on mayor's proposal, submitted to board of supervisors.
6. Last Monday in April to 2nd Monday in May—
   1. Consideration by board of supervisors of budget proposal.
   2. Passage of tentative budget.
   3. Public hearings to request increases.
7. 2nd Monday in May to 3rd Monday in May—
   1. Consideration by board of supervisors of *decreases.*
   2. Public hearings to request decreases.
   3. Passage of budget ordinance to print.
8. Last Monday in May—
   1. Final passage of budget ordinance.
9. Last Monday in May to 2nd Monday in June—
   1. Final consideration by mayor.
10. 2nd Monday in June to Saturday before last Monday in June—
    1. Board of supervisors' final consideration and action in case veto is exercised by Mayor.

LABOR SAVING VS. POLITICS—A STUDY OF THE PHOTOSTAT BILL.

At the 1917 session of the California Legislature an ancient drama, which first appeared more than one hundred and fifty years ago, was reenacted. The old question of labor saving devices and their effect on employments which assumed such prominence with the opening of the Industrial Revolution in the 18th century, cropped out again. It was a question of positions versus machines, and as has often been the case in the history of labor saving devices in public business, the supporters of the jobs came out temporarily victorious.

What Senate Bill 306 Contemplated.

A bill (Senate Bill No. 306) was introduced in the Senate by Senator Breed at the request of the Taxpayers' Association of Alameda County. The purpose of this bill was to amend the political code in those sections which outline the procedure in the offices of county recorders. Under the existing law, county recorders can only use one of two processes in recording documents. The documents must either be copied in long hand or typewritten. The bill in question recognized the entrance into the business world of a new process—the use of photographic principles generally known as the photostat process. It would have *permitted* county recorders—for there was nothing mandatory in the bill—to make use of this more modern and accurate method. In many counties this would have led to a very considerable decrease in the cost of reproducing and recording public documents. Naturally, a large part of this saving would be accomplished through the elimination of certain positions now held by typists and long hand copyists. Here was the crux of the entire proposition.

The Photostat Process.

In order to appreciate just what this bill would have permitted, a brief outline of the process is necessary. By utilizing developments in the art of photography, documents, no matter what their size or complexity, can be reproduced

directly upon a sensitized paper without the use of either plates or films.

The process is speedy, absolutely accurate, uniform, and highly economical. Additional copies can be made by merely photographing either the original or any of the prints. The photostatic method is employed by numerous large corporations, including railroads and insurance companies, in making permanent and accurate copies of their most important and valuable records.

The 1917 session was not the first to witness the introduction of a similar measure. During the session of 1913 a bill designed to accomplish the same results was introduced, passed the Senate and, in the words of one of the legislators, "slaughtered in the Assembly." Again in 1915 a bill was presented, but the forces which opposed its passage killed it in committee. It was during this legislative session that the County Recorders' Association of the State of California first adopted a resolution opposing the passage of the bill. The 1917 measure in turn followed in the footsteps of its predecessors and peacefully reposed in the mausoleum of the judiciary committee until the end of the legislative session.

Process Would Have Saved $18,000 in San Francisco.

On February 27, 1917, shortly after the introduction of the bill, the San Francisco Bureau of Governmental Research forwarded to the judiciary committee of the senate a brief memorandum outlining the merits of the measure, pointing out a few of the possible results and urging upon the committee its favorable consideration. In the letter of transmittal which accompanied the memorandum, it was pointed out that after careful study the Bureau was convinced that the introduction of the process would result in an annual saving of approximately $18,000 in the office of the county recorder of San Francisco. In addition a number of exhibits were forwarded illustrating various features of the use of the photographic process.

The Position of the San Francisco Recorder.

Some time previous to this, the recorder of San Francisco, who also occupies the position of president of the State County

Recorders' Association, was approached with the view of ascertaining what stand he would take in regard to the measure under discussion. At no time would he commit himself one way or the other. At one of the many conferences held with him, however, a statement prepared by and originating from his chief deputy was submitted. The purpose of this statement was to show that no economy could be effected in the San Francisco recorder's office by the introduction of photostatic methods. It was composed of a series of estimates of the probable cost of doing the various stages of the work, the majority of the items included being obvious misstatements or exaggerations. As a result the total sum was far greater than the highest figure which could be obtained by any equitable calculation.

The Recorder's Position Discussed.

In contradiction to this stand on the part of the recorder's office, which must have reflected the standpoint of the recorder himself by receiving his tacit approval, an incident in 1916 is of interest. In the survey report of the city and county government, prepared by the New York Bureau of Municipal Research, it was pointed out that a considerable saving could be made in the recorder's office through the use of the photostatic process. Before this section of the report was released for publicity, it was taken up with the recorder himself. At the time of publication, the recorder, upon his own initiative, called upon the chairman of the board of trustees of the S. F. B. G. R. and stated that the failure to make use of the photostatic process in his office was not on account of his lack of progressiveness but because the state law did not permit of its employment. He pointed out that the only remedy for this condition was an amendment to the political code which would recognize photostatic methods of recording and urged that an effort be made, as soon as possible, to secure such an amendment. In spite of this, the bill from the moment of its introduction met with the direct opposition of his office.

Some time after the bill was introduced in 1917 the State County Recorders' Association held its annual meeting in Sacramento. The association by unanimous vote adopted a resolution "after thorough consideration and discussion and

upon motion duly made" disapproving of the passage of Senate Bill No. 306.

A Second Memorandum Prepared.

Realizing that the bill was in a precarious position, the Bureau on March 19th presented a second memorandum to the judiciary committee of the senate replying to all of the objections which had been raised by opponents of the measure. Various members of the legislature were interviewed in an effort to determine the exact status of the bill. These members intimated that the bill would pass the Senate, but would probably be defeated in the Assembly, owing to the fact that almost all of the members of the Assembly were being bombarded by numerous letters of protest from individuals holding positions in recorders' offices who believed they would lose their positions if the bill became law.

Opponents of Measure Employ an Obsolete Report of the Process.

A new weapon used by the opponents of the bill in their fight against the measure was also discovered. This was in the nature of a report which had been submitted in April, 1915, to the Board of Supervisors of Los Angeles County by the Los Angeles County Recorder, C. L. Logan. It consisted of excerpts from letters received by Mr. Logan as a result of inquiries sent out by him in regard to the use of the photostatic process. A careful examination of the various objections raised in this report, which was a very fair presentation, disclosed the fact that they were based almost entirely on imperfections in the earlier methods of photographic reproduction which had been entirely overcome by later improvements. In view of this it was decided to submit a third and more comprehensive memorial to the judiciary committee which would meet each of the specific objections raised by Mr. Logan's report. This memorandum took the form of actual photographic reproductions, taken under ordinary working conditions, of all of the types and features of documents which it was claimed in the report could not feasibly be handled by the photostatic method. These exhibits demonstrated conclusively that none of the supposed objections could be substantiated when later modifications of the process were used.

Further Efforts to Procure Passage of the Bill Failed.

As the legislative session drew toward a close, it appeared more and more probable that the bill would meet a fate similar to that of the 1913 and 1915 measures. On April 17th a representative of the Bureau was again sent to Sacramento to determine the exact status of the entire matter. Conferences with Senator Breed disclosed the fact that the bill would not be called out of committee, as it was a foregone conclusion that it would be decisively defeated in the Assembly. Various San Francisco Assemblymen were interviewed as to their attitude in regard to the measure and they frankly admitted that the process was an excellent one. However, it was stated that "orders had been issued to kill the bill." Later, when the individual referred to as the source of the "order" was consulted, he emphatically denied that he had taken any action in the matter and attempted on his own initiative to secure some action in the judiciary committee.

The fact remains, however, that the Breed Bill never even came up as a matter of public discussion on the floor of either house of the legislature. It died as has many another good measure designed to facilitate public work. The ancient struggle between labor saving devices and jobs thus ended as it has so many times before with a temporary victory for the jobs.

Modern Mechanical Office Appliances Must Be Adopted in Public Business.

When it is considered that the bill (which did not even get out of committee in 1917) was strictly a permissive act to allow county recorders to use the photostat process and that it contained nothing which was mandatory, the fatuous policy of refusing to make legal a method by which the taxpayers of California could be saved many thousands of dollars annually is the more apparent. Its opponents were so certain of the final results that they would not even let it be tried.

Many more bills of a character designed to keep public office procedure abreast of the developments in mechanical methods employed in the business world will make their appearance with each successive legislative session.

The history of industrial improvements shows the futility of

opposing the use of these modern devices in public business. Eventually, permission will be granted for their use, but before they can be generally accepted there must be a higher, truer appreciation of the real responsibility of members of the legislature and the elective officers of our smaller political subdivisions. It is a shortsighted policy indeed that does not perceive that the refusal to accept a principle of this kind is not only a violation of the stewardship of the individual legislator to his constituents, but is also a severe blow to the entire public service.

REPORT ON CERTAIN PHASES OF THE REORGANIZATION OF THE FIRE DEPARTMENT.

At a meeting of the fire commission, held in the latter part of 1916, after the $100,000 worth of motor apparatus provided for in the 1916-17 fire department budget had been ordered, a special committee, consisting of Chief Murphy, First Assistant Chief Russell and Second Assistant Chief Conlon, was appointed by the fire commission to make suggestions as to the distribution of the new motor apparatus upon its arrival. On January 10, 1917, Chief Russell and Chief Conlon submitted a majority report to the fire commission outlining their proposals in regard to the reorganization of the fire department, made possible by motorization. This was the report which has since become known as the Russell-Conlon report. Chief Murphy did not subscribe to the proposals made in this majority report of the committee, but submitted an independent report a week later.

The Russell-Conlon Report.

The Russell-Conlon report recommended a number of decided changes in the organization of the fire department as compared to the organization which has stood for several years. Among other things, it was proposed to eliminate seven engine companies, and to supplant most of the removed engines with motorized chemical companies. The report also suggested changing the location of numerous other pieces of apparatus. The whole report represented the serious effort on the part of two experienced officers in the fire department to work out a comprehensive plan for the reorganization of the department to meet the problems which had arisen as a result of motorization.

Chief Murphy's Report.

Chief Murphy's minority report differed but little from the Russell-Conlon report in so far as the suggested locations for the new apparatus was concerned. His report made no substantial allowance for any increased efficiency due to motorization,

nor did it contemplate a more general use of the high pressure system. It provided for the retention of all existing companies and their eventual motorization.

The Russell-Conlon report was taken up for consideration by the insurance and fire protection committee of the chamber of commerce and a tentative summary of the proposed changes was submitted to them with a brief discussion of each proposed change. This committee, during the course of the deliberation, invited representatives of the San Francisco Bureau of Governmental Research and other civic agencies to discuss with them the proposed reorganization. At that time it was decided to withhold any definite action looking towards formal approval or disapproval of the report until it was possible to obtain more specific information regarding certain operating conditions on which there had been much opinion but little fact detail. Unfortunately, many of the opinions which had been presented to the public by those in active charge of the fire fighting work of such debatable questions as two platoon, motorization, and the use of the high pressure system, were diametrically opposite, both in point of view and in conclusion.

Three Chief Problems.

The San Francisco Bureau of Governmental Research began at once to make a study of the problems involved. The material which follows is a brief summary of the findings and recommendations contained in a seventy-page report, entitled "Report on Certain Phases of the Reorganization of the San Francisco Fire Department," which was submitted by the San Francisco Bureau of Governmental Research to the board of fire commissioners under date of May, 1917.

The three principal reorganization problems which the department had to face were:

1. The effect on the distribution of both apparatus and men of the next steps to be taken in the motorization of the fire department and the final effect of complete mortorization.
2. The practicability of a more general and more effective use of the high pressure system and in connection with this (1) the elimination of certain low pressure (Spring Valley) hydrants within the limits

of the high pressure zone, and (2) the elimination of certain engine companies in districts adequately protected by the high pressure system.

3. The demands which the two-platoon system (authorized by the people at the last election) will make on the department in the way of reorganization and distribution of both apparatus and men, and the bearing of No. 1 and No. 2 above on the two-platoon plan and its relation in turn to each of these two problems.

Confusion in Discussion of Questions.

These three questions have long been confused in the public mind—due in no small measure to the divergent claims which were made by both sides in the two-platoon campaign of last year. Notwithstanding the fact that these questions are closely associated, each one of them should be considered alone on its own merits before any attempt is made to weigh their relative importance.

The motorization of the department is now being rapidly completed. The appropriation made for motor apparatus in the 1917-18 appropriation ordinance provides sufficient money to complete the motorization plans. This course would have been taken irrespective of the adoption of the two-platoon system. It is in line with modern practice. The ultimate effect of motorization on the general distribution of apparatus available is a problem which must be solved irrespective of the two-platoon requirements.

A more general use of the high pressure system as the primary fire fighting supply has been urged for some time and constitutes in itself a well defined, separate, and distinct study of operating conditions.

Relation of Two-Platoon to Other Problems.

The only direct relation which the two-platoon system has to these two problems of organization and operation comes from one fact, to-wit: that the two-platoon system when introduced will necessitate a substantial increase in the cost of operating the department, unless the money which can be saved—(1) from motorization and (2) through the more effective use of the high pressure system—will be sufficient to offset the increase in salary costs under the two-platoon system on account of

the increased number of men per company which will then be required.

This in fact has been the contention of the two-platoon sponsors since the movement was first initiated. On the other hand, should it be found that no reduction in the number of active companies was possible as a result of motorization, the original estimate of Chief Murphy that the operation of the department under the two-platoon system would cost from a quarter million to a half million dollars a year more is probably not extravagant.

The High Pressure System.

The more effective use of the high pressure system and the elimination of a certain number of Spring Valley or low pressure hydrants is also a problem which must be decided on its own merits. If it is deemed advisable to eliminate a certain number of hydrants or if the increase in the number of high pressure companies makes possible a reduction in the number of engine companies now occupying certain quarters, the savings accomplished in this way can be applied to reducing the actual personal service cost involved in the operation of the two-platoon system or to increase the area covered by the high pressure system.

Present Organization of Department.

At the present time the San Francisco department consists of 48 engine companies, 13 truck companies, 13 chemical companies (one of which is a "paper company"), 1 water tower company and 2 fire-boat companies. This apparatus is distributed with a fair degree of uniformity throughout the entire city, the greater proportion of the apparatus being concentrated in the congested value districts. The extent of motorization is indicated by the following tabulated statement:

		Total
Engine Companies—		
Horse-drawn	33	
Motorized	15	
		48
Truck Companies—		
Horse-drawn	5	
Motorized	8	
		13

Chemical Companies—		
Horse-drawn	6	
Motorized	6	
		12
Fire Boat Tenders—		
Horse-drawn	1	
Motorized	1	
		2
Water Tower—		
Horse-drawn	1	
		1
Total number of companies		76

Per Capita Cost in San Francisco Excessive.

A casual examination of the accompanying tabulation of the comparative statistics of fire departments indicates that the cost of operating the San Francisco department, and the number of pieces of apparatus is excessive as compared to other American cities. The per capita cost of operating the San Francisco department is the largest of any city in the United States, if not in the entire world. Part of this excessive cost is unquestionably due to the higher salaries paid regular members of the San Francisco department. This is not responsible for the entire excess, however. The fact that the San Francisco department is over-engined and therefore over-manned is to a large degree responsible for the extremely high operating costs.

The per capita cost of operating the San Francisco department according to the latest available statistics is $3.76. Compared with the average per capita cost of $1.87 for the cities included in the table, gives an excess in cost for San Francisco of $1.89 per capita or 101% in excess of the average. In other words, if the San Francisco department was operated at the average per capita cost of other departments throughout the United States, it would have cost $845,000 or $0.16 on the tax rate less than it cost in the fiscal year 1915-16.

Engine Companies and Population.

If a comparison of engine companies and population is made it is found that in San Francisco there are 1.07 engine companies per 10,000 population, or expressed the other way

FIRE ENGINE COMPANIES IN TWENTY-FOUR CITIES OF THE UNITED STATES IN RELATION TO THE POPULATION, AREA, AND PERCENTAGE OF MOTORIZATION, 1917.

CITY	POPULATION		Area in Square Miles.	Annual Cost Fire Dept., 1915.	Cost Per Capita.	ENGINE COMPANIES, 1917					AUTHORITY.
	Local Estimate, 1917.	U.S. Census Estimate, 1915.				Number.	No. Per 10,000 of Population.	No. Per Square Mile.	No. Motorized.	Percentage Motorized.	
New York	5,585,772	5,333,539	326.6	$9,221,576	$1.73	186	.48[2]	.79[3]	91	35[1]	.....
Philadelphia	1,500,000	1,657,810	130.2	1,502,535	0.91	59	.35	.45	..	..[5]	W. H. Murphy, Chief
St. Louis	810,000	737,497	62.0	1,219,145	1.65	52	.71	.84	12	23	Frank E. Henderson, Chief
Boston	750,858	734,747	47.3	1,798,533	2.45	45	.61	.93	15	33	P. F. McDonough, Chief
Cleveland	735,000	639,431	52.3	842,121	1.32	35	.55	.67	9	24	C. A. Patterson, Sup't Construction
Baltimore	614,000	579,590	33.3	997,001	1.72	38	.66	1.14	18	47	August Emrich, Chief
Pittsburgh	575,000	564,878	40.6	1,025,846	1.82	44	.78	1.08	19	43	J. F. Richards, Chief
Detroit	820,000	546,183	72.0	1,061,915	1.94	37	.67	.51	14	38	George F. Finn, Sec'y Fire Com.
Buffalo	465,322	457,723	42.0	1,105,449	2.42	33	.72	.78	11	33	B. J. McConnell, Chief
San Francisco	**551,222**	**452,255**	**41.7**	**1,698,250**	**3.76**	**48**	**1.07**	**1.15**	**13**	**27**	.....
Los Angeles	620,000	452,140	384.0	708,901	1.57	29	.64	.28[4]	14	48	Archie J. Eley, Chief
Milwaukee	435,000	419,589	26.0	706,838	1.60	27	.64	1.04	5	18	Thos. A. Clancy, Chief
New Orleans	361,221	361,221	196.2	523,748	1.45	31	.86	.16	2	6	Louis Pugol, Chief
Washington	.....	356,028	69.2	662,456	1.86	..	..	..	..	..	A. J. Sullivan, Acting Chief
Minneapolis	364,000	343,466	53.2	565,678	1.65	24	.73	.45	5	25	C. W. Crieger, Chief
Seattle	330,000	313,029	53.0	807,679	2.58	18	.57	.34	6	33	F. L. Stetson, Chief
Jersey City	271,000	293,403	19.2	431,935	1.47	18	.61	.94	5	28	Roger Bogle, Chief
Kansas City, Mo.	384,381	284,567	60.0	498,617	1.75	11	.35	.18	1	9	J. C. Egner, Chief
Indianapolis	.....	259,820	35.0	515,391	2.15	17	.65	.49	5	30	J. Harry Johnson, Chief
Portland, Ore.	295,000	259,582	66.3	488,925	1.88	18	.81	.27	4	45	B. F. McDowell, Chief
Denver	245,523	245,523	60.0	372,590	1.52	9	.37	.15	3	33	John F. Healy, Chief
Rochester	250,000	245,077	25.0	524,432	2.14	25	1.02	1.00	1	4	Charles Little, Chief
Providence	255,062	243,856	19.2	494,493	2.03	14	.57	.77	5	36	J. W. Morrow, Clerk Bd. Fire Com.
Louisville	263,256	234,482	26.3	373,425	1.59	22	.94	.83	0	0	Tim Lehan, Chief

[1] There are 260 engines housed in 186 companies. The percentage given is the percentage motorized out of the total number of pieces of apparatus.

[2] Number of engines per 10,000.

[3] Number of engines per square mile.

[4] Area taken as 104 square miles.

[5] Number of engine companies motorized not given. Two motor pumpers and forty-four horse-drawn engine companies. Eighteen tractorized pieces of apparatus. Probably thirteen tractorized engines. Probable number of motorized engine companies fifteen; percentage motorized, 24.

around, 9400 persons per engine company. The average of all the cities included in the table is only .63 engine companies per 10,000 population, or 15,800 persons per engine company. In other words, San Francisco is 69% in excess of the average in respect to the number of engine companies in active service on the basis of population.

When a comparison is made of engine companies and area it is again found that San Francisco is over-engined in the light of all comparative statistics. There are 1.15 engine companies per square mile in San Francisco as compared to .63 engine companies per square mile in the average of the 24 cities included in the table. In fact there are only three other cities in the United States from which data has been received, namely, Baltimore, Pittsburg and Milwaukee, that have more than one engine company per square mile. None of these have as many engine companies per square mile as San Francisco.

Department Is Fourth Most Costly in U. S.

Again the San Francisco department costs more in actual dollars spent than that of any other city in the United States except those of New York, Chicago and Boston. In other words, in spite of differences in population amounting in one case to an excess of over a million people it costs less to operate the fire departments of Philadelphia, St. Louis, Cleveland, Baltimore, Pittsburg, Detroit and Buffalo (all larger than San Francisco) than it costs to operate the San Francisco department. San Francisco is the only city in the United States in which the per capita cost of operating the fire department exceeds $2.60, and the cost of operating the department in San Francisco exceeds $2.60 by $1.16 or 45%.

San Francisco has more engine companies in active service than any of the cities included in the table except the metropolitan centers of New York, Philadelphia, and St. Louis. Chicago, which has not been included in the table because no data was received from that department, also has a larger number of engine companies than San Francisco. In fact, San Francisco operates only a few less engine companies than the cities of Los Angeles, Portland and Seattle combined and more than any two of these cities.

Engine Companies Too Close.

Engine companies in the past have frequently been located without due regard for the actual fire fighting needs of the community or district. Many of the companies are placed too close to one another, and in one instance two engine companies have been placed less than 1,000 feet apart in a district which does not require an excessive degree of fire protection. This is the situation which prevails in respect to engine company 27 (motorized) situated on Hermann street, between Fillmore and Steiner and engine number 19 (horse-drawn) on Waller street between Laguna and Buchanan. Not only are these companies less than 1,000 feet apart, but there are three other companies within a radius of half a mile of Engine 27. In order to compensate for the proximity of these companies, it has been necessary to contract their response districts in order to maintain the standard of three engine companies responding to all first alarms as required by the running card of the department. With motorized apparatus placed in all these houses, it can readily be seen that a fire house which is improperly located under conditions of partial motorization will have the general inefficiency of its location accentuated as a result of complete motorization.

The area which can be efficiently and safely covered by horse-drawn fire apparatus can be materially increased through the use and proper distribution of motorized equipment. This has been amply demonstrated by results obtained on alarms to which both horse-drawn and motorized equipment responded. In addition, tests made by fire department officials to determine the relative speed of the two types of vehicles clearly support this conclusion.

Motor Apparatus Twice as Fast.

An actual example will serve to show the relative mobility and efficiency of horse-drawn versus motorized equipment. In the early evening of February 21 an alarm of fire was turned in at box 391, situated at Frederick and Ashbury streets—a hilly portion of the city. Three engines responded, one motor-propelled and two horse-drawn. One of the horse-drawn engines ran approximately 1750 feet to the hydrant located at the corner of Ashbury and Piedmont streets. The route cov-

ered gave this engine a down-hill run of 80 feet in the 1750 feet between the house and the hydrant. The second piece of horse-drawn apparatus ran approximately 3250 feet, of which 1750 feet was over level or nearly level streets, with a rise of 160 feet throughout the last quarter mile of the run. The motorized engine company was required to cover a distance of 1.05 miles. In the last 2,000 feet of this run it climbed a vertical distance of 225 feet as compared to the drop of 80 feet in the run made by the first horse-drawn company. In spite of the heavy grade negotiated and the fact that the distance covered was more than three times that of the first horse-drawn company, this piece of motor apparatus—engine 21, situated on Oak near Divisadero—had water on the fire as soon as the horse-drawn engine. As an additional factor of delay it was necessary for the motor apparatus to lay its own line into the fire, whereas the horse-drawn companies had an independent hose wagon.

Other actual runs could be cited which would further serve to indicate the tremendous superiority of the motorized apparatus. As a result of actual comparative tests made under varying conditions it was demonstrated that on level runs the motor apparatus is over 100% faster than the horse-drawn equipment. On hilly districts the difference would be even more pronounced.

Running Card Recognizes Superior Speed.

During the gradual course of the motorization of the department some recognition has been made of the general superiority in speed, mobility and efficiency of the motorized apparatus. This is evidenced by the rearrangement of the running card, as old pieces of horse-drawn equipment have been displaced by motor apparatus. In some cases, however, no compensating factor has been introduced to take care of the superior speed of the motor vehicle. The fire department running card calls for three engine companies to respond to all first alarms. If the superior speed and mobility of a motor pumper is taken into consideration on the running card the district in which this motor pumper responds will naturally be larger than the district previously covered by the horse-drawn apparatus. In the down town section little or no effort has been made to enlarge the response districts after motorization. The result

is a serious overlapping of response districts and a consequent overcrowding of the apparatus in any particular geographical section of the city.

In the outlying districts, however, where the apparatus is more sparsely distributed the effects of motorization are adequately and completely reflected in the running card.

As an example of this situation the response districts for engine company 36 (horse-drawn), located at Twenty-sixth avenue and Geary street, and engine company 46 (motorized), at Twelfth avenue and Geary street, may be cited. These two houses are something over 4,000 feet apart. The response district for engine 46 (motorized) completely surrounds the district of engine 36 with the exception of three boxes on Fulton street near the ocean front, one box at Cabrillo and Forty-seventh and one at Balboa and La Playa. In addition to responding to every other call made by engine 36, engine 46 responds to 42 boxes not answered by engine 36.

The extreme limits of the response district of engine 46 extend from Masonic avenue on the east to Forty-eighth avenue on the west—a total distance of 3.2 miles; and from Jackson street on the north to Ortega street on the south—a distance of 2.4 miles. On the other hand the response district of the horse-drawn company extends only from Forty-eighth avenue on the west to Fifth avenue on the east, an extreme distance of 2.2 miles, and from West Clay street on the north to Fulton street on the south, a distance of approximately one mile.

Motor Companies District 100 Per Cent Larger.

The total area of the response district of engine number 46 is 2.9 square miles. That of engine number 36—the horse-drawn company—is only 1.46 square miles. The response district for the motor vehicle is, therefore, approximately 1.45 square miles, or 100% larger than the district of the horse-drawn apparatus.

The new motor apparatus ordered for this year, which has now all been delivered, consists of 23 pieces of various types. This new equipment consists of seven combination pumping engines and hose wagons, seven straight chemical wagons, two combination chemical and hose wagons, five four-wheeled

tractors, and two hose wagons with monitor nozzles for use in the high pressure district. When this apparatus is all placed in service the department will be approximately 60% motorized on the basis of its present organization. There will still remain from 16 to 27 horse-drawn engine companies, one horse-drawn water tower and one horse-drawn fire-boat tender. The number of engine companies remaining to be motorized will depend entirely on the decision of the fire commission as to the number of engine companies which can be eliminated on account of motorization.

Features of Russell-Conlon Report.

The report referred to above as submitted to the fire commission by Chiefs Russell and Conlon contemplated the general changes in reorganization and distribution outlined in summary form below:

1. The elimination of seven horse-drawn engine companies on account of the assumed superior mobility and high rate of speed of the seven motorized pumpers which were ordered.

2. The redistribution of chemical companies in more strategic locations than those at present occupied; the redistribution of the chemical companies to take into consideration the elimination of the engine companies and to so locate the chemical companies that they can be surrounded by engine companies and thus be available for the maximum possible service.

3. The redistribution of some of the truck companies in accordance with the new conditions arising out of motorization.

4. The location of two new hose wagons equipped with monitor nozzles in those quarters within the limits of the high pressure district where they would perform the most valuable service.

Among the numerous factors which this report has taken into consideration affecting the location of apparatus in each house, the following are of vital importance:

1. The relation of the apparatus in the house to the apparatus in the district in which the house is located.

2. The superior mobility and efficiency of the motorized apparatus.

3. The service possibilities in the district and the general relation to the district of the high pressure system.

4. The topography of the district.

5. The general fire hazard of the district.

Horse-drawn apparatus has been assigned only in those quarters where level runs or moderate down-hill runs were chiefly to be covered. On the other hand motor apparatus is recommended for location at the apex of the higher hills which in the past have proven almost a bar to horse-drawn equipment and from which the speedy motor vehicles can drop down in any direction with the maximum possible speed. In addition the ability of the motorized equipment to return to its quarters with the least possible loss of time has been taken into consideration. In the past it often required from one-half to three-quarters of an hour for horse-drawn apparatus located on the tops of hills to return to quarters, and in some instances it has even been necessary to take the horses from the hose wagon and hitch them up with the three-span engine team in order to pull the heavy engine up the hill. This seriously limits the efficiency of the apparatus in case of another alarm.

Substitution of Motor Chemicals for Horse-Drawn Engines.

Many of the proposed changes contemplate the substitution of a motorized chemical for a horse-drawn fire engine. In considering the effect of such a change on the general fire protection in a district it must be borne in mind that the type of apparatus located in a particular house cannot be considered as an isolated problem, but must be viewed in the light of the entire fire fighting facilities of the district. Thus, the elimination of a horse-drawn fire engine and the substitution in its place of a chemical engine may be amply justified by the fact that the surrounding companies which respond to calls have all been motorized and can reach the fire in a much shorter time than is the case under the present arrangement. It is a well known axiom of fire fighting that a single piece of apparatus fighting a fire in its early stages is far more valuable than a

dozen pieces of equipment after the fire has attained some headway. The fact that a motorized chemical can deliver a telling stream on a fire several minutes before an old-fashioned horse-drawn steam fire engine makes this particular type of apparatus an especially valuable one. The substitution of the chemical for the horse-drawn engine company is generally not to be considered as a reduction in fire fighting efficiency.

Majority of All Fires Extinguished by Chemicals.

In connection with the consideration of the question of the efficient use of chemicals it should be borne in mind that possibly 90% of all fires are extinguished by chemical streams and that chemical engines are almost invaribly the first pieces of apparatus at a fire. Experienced fire fighters confidently assert that there is no inclosed fire which cannot be speedily extinguished by a chemical stream.

The Ideal District.

The average district surrounded by three motor pumpers with one or more motorized chemicals strategically located in a central position is unquestionably afforded better fire protection than the same district surrounded by four or even five horse-drawn fire engines with no chemical engines available with their immediate and almost instantaneous response.

Russell-Conlon Report and Two-Platoon Plan.

If the plan of reorganization which is contemplated in the Russell-Conlon report is put into effect in the San Francisco department, it will be possible to limit the number of men in the fire department to practically its present quota, even after the two-platoon system is in full force and effect. This means that without jeopardizing general departmental efficiency, it will be possible to install and put into effect the two-platoon system with a but slightly increased appropriation for salaries of firemen.

Engines Should Be Equipped With Hitches.

In order to make proper use of the old horse-drawn engines, which will be eliminated or displaced by motorized pumpers on the adoption of the Russell-Conlon report, it is suggested

that these engines be sent to the corporation yard and put in first-class condition and that they then be placed in reserve in those houses in which independent hose wagons or chemicals are to be stationed. In order to make them available for instant response in case of an emergency it is further suggested that they be equipped with Ahlmgren or some other suitable hitches. It is also suggested that the reserve engineers in the present companies be assigned to those houses in which this reserve apparatus is placed in order that experienced engineers may be available for operating these engines in case of need.

With the changes proposed in the Russell-Conlon report adopted and put into effect by the fire commission, the San Francisco department will be more than seventy per cent motorized. The number of companies of each type and the number motorized is shown by the following table:

		Total.
Chemical Companies—		
Motorized	13	
Horse-drawn	0	
		13
Truck Companies—		
Motorized	13	
Horse-drawn	0	
		13
Engine Companies—		
Motorized	25	
Horse-drawn	16	
		41
Fire Boat Tenders—		
Motorized	1	
Horse-drawn	1	
		2
Water-Tower Companies—		
Horse-drawn	1	
		1
Total number of companies		70
Total number motorized		52
Per cent motorized		74.2

One of the most important results which will be accomplished by the adoption of this report will be the savings which will result from the elimination of a large number of horses now the property of the fire department. The full acceptance of the reorganization program as outlined in the Russell-Conlon

report will mean a reduction of horses from the present number 200 to approximately 86. This latter figure, it is estimated, will take care of all of the requirements of the department, including horses for reserve duty, sickness, etc. This proposed reduction amounts to 57 per cent.

Conditions Altering Present Fire Risks as Compared to Those of 1906.

1906.	1917.
1. Business district was largely Class C buildings.	1. Large number of Class A and B buildings in down-town congested value district.
2. Sprinkler systems were rare.	2. Sprinkler systems are in more general use with both pressure and gravity roof tanks.
3. Stand pipe service was present in but few buildings.	3. Stand pipe service in buildings is practically universal with wet stand pipes on all tanks over 5000 gallons capacity.
4. Cisterns were not kept in proper state of repair.	4. Eighty-six new cisterns have been built and a large number of old ones repaired so that they are available for service.
5. Thirty-eight engine companies, with a maximum water capacity of 30,000 gallons a minute, were the only means of fighting fires.	5. The engine companies of the city are now supplementary to what is probably the best high pressure system in the world.
6. There was no stand-by service of any kind.	6. There is a gravity feed for the high pressure system and in addition two fire-proof pumping stations, and two fire-boat connections as stand-bys in case of trouble.
7. Main feeders to water mains were laid in treacherous ground.	7. Mains are generally laid in solid ground with special joints in high pressure system to take care of earthquake conditions.
8. Gas could not be turned off from street.	8. Gas can be turned off from the street at practically any service connection.
9. The water mains could not be sectionalized. Any serious break at one point would cripple the entire system.	9. Mains are gated and the system is so laid out that any pipe fractures or line accidents can be by-passed.

Savings in Maintenance Cost of Horse Equipment.

At the present time the fire department is expending approximately $87,000 a year for the care and maintenance of horses and horse-drawn equipment. Of this total the chief items consist of feed, approximately $31,000; salaries, approximately $27,000, and materials and supplies, approximately $23,000. The total maintenance cost is approximately $7,270 per month. It is estimated that on the basis of the cost of hay and other horse feed during four typical months of the fiscal year 1916-17, upon which most of this data is based, that an annual saving of at least $43,500 would be made possible by the adoption of the details of the Russell-Conlon report. On account of the recent tremendous increase in the cost of all kinds of feed, the present organization, if continued, would be even more costly. The proposed elimination of horse-drawn apparatus would therefore lead to a larger relative savings than that estimated above.

An Efficient High Pressure System.

San Francisco is protected to-day by one of the most efficiently planned and generally effective high pressure systems in the world. This system was constructed with the proceeds of a bond issue of $5,200,000 voted by the people in 1908. Seventy-two miles of high pressure mains of different sizes in the down-town and surrounding districts; 903 high pressure hydrants; 86 new underground cisterns at important street intersections, all of 75,000 gallons capacity; one large impounding reservoir of 10,500,000 gallons capacity constructed on Twin Peaks at an elevation of approximately 800 feet; and two supply tanks of 500,000 and 750,000 gallons respectively were built. As a final auxiliary standby two pumping stations of 2700 and 2800 horse-power boiler capacity were constructed, each capable of delivering over 10,000 gallons of water per minute. Manifolds on the water front permit the fire boats to put from 10,000 to 20,000 gallons more of salt water into the mains.

The actual cost to the city of San Francisco of having water available for fire-fighting purposes in both the high pressure and low pressure systems is approximately $550,000 a year. This amount is exclusive of any reserve for depreciation on the

high pressure system but includes the cost of interest and redemption on the high pressure bonds. Pumping station operation and maintenance costs and the cost of supervision and inspection of the high pressure system together with the rental paid for low pressure hydrants is included in this total.

System Never Used at Full Efficiency.

The high pressure system was termed from the start the "auxiliary water supply system". It stands today, however, as the most valuable fire-fighting arm of the San Francisco department. In spite of its excellence of design and its high efficiency, the system has never been used to the extent that its potential service possibilities warrant. Among other reasons for failure to make the most effective use of the system, the following may be cited as particularly important:

1. The belief that it was only an emergency stand-by and could not feasibly be used for any other purpose.
2. The fact that a large number of low pressure hydrants still remain within the limits of the high pressure district with whose use and service possibilties the fire department is fully acquainted.
3. To the fact that only recently have reducing valves been available which would safely and efficiently control and regulate the enormous pressure at which the water is delivered to the high pressure hydrants.
4. Because it was thought that it took so much longer to establish and connect the reducing valve on the high pressure hydrant than it did to connect a fire engine to a low pressure hydrant that the time which was lost in this way did not warrant the use of the high pressure system except in cases of emergency.
5. To the assumption that because water used through the high pressure system was paid for at meter rates and a flat annual rental was paid for the low pressure hydrants the cost of water through the high pressure system would be excessive as compared to the rental paid for low pressure hydrants and that because the low pressure hydrants were installed and being paid for it was a doubling of expense to use the high pressure system.

High Pressure Not an Auxiliary Stand-by.

It has been demonstrated on numerous occasions of late that the high pressure system is not to be considered as merely

a standby but that it possesses the highest potential fire-fighting value for practically all types of fires which must be fought with water. Reducing valves, safe and positive in action and requiring the minimum of time to adjust and operate, are now available to the department for almost the first time. Actual time studies made under working conditions indicate that as a general proposition it takes less rather than more time to connect a reducing valve to a high pressure hydrant and make it ready for service than it does to connect a fire engine to a low pressure hydrant.

Low Pressure Hydrants Should Be Removed or Sealed.

Considering the fact that the high pressure system affords ample protection to property within its working limits, it is considered unnecessary to maintain the large number of low pressure hydrants within the high pressure zone. There are certain corners in the down-town district of the city in which there are as many as 9 low pressure hydrants and 2 high pressure hydrants within a radius of 200 feet of the street intersections. From the standpoint of the pressure at which it can be delivered, low pressure hydrants supplemented by the best pumping engines are not more than 20 per cent as efficient as the high pressure hydrants. The maximum discharge from all three outlets of a high pressure hydrant is approximately 11,700 gallons a minute, whereas the ordinary fire engine cannot pump in excess of 1,000 gallons a minute and this only at a pressure approximately half that at which the high pressure hydrant can deliver its maximum pressure. At normal operating pressure without calling on the Twin Peaks Reservoir for assistance a single high pressure hydrant can deliver 8,160 gallons a minute.

Estimate of Amount of Water to Be Used in High Pressure System.

An estimate has been made of the maximum amount of water which could have been pumped by all the fire engines at fires in the city during the year 1915. This figure was obtained by multiplying the number of minutes each engine was in service by the rated capacity of the engine in gallons per minute. At the present time fire department statistics do not show the

actual time at which an engine is performing duty at a fire. The term "in service" is used to indicate the total elapsed time between the receipt of an alarm of fire and the return of the apparatus to its quarters. This may include, of course, numerous runs to fires at which no service is performed and must always represent more time than was actually put in pumping water at fires. No better method of estimating the amount of water actually pumped is available.

In addition to the excessive time element injected into this estimate through the use of the "in service" factor, an additional error results through the use of the maximum rated capacity of the engine, when as a matter of fact many engines do not attain more than 40 per cent of their rated capacity and the average probably does not exceed 70 per cent. For purposes of comparison with the high pressure system it should also be borne in mind that the volume of water discharged from a fire engine varies inversely as the pressure of discharge and that in all probability no fire engine in the city of San Francisco can pump more than 500 gallons per minute at pressures in the least comparable with those available through the high pressure system.

This method of estimating the total amount of water pumped gives a figure of 61,146,000 gallons as the amount thrown on fires throughout the entire city in the year 1915. The same method was used to estimate the amount of water used within the outermost limits of the high pressure zone. For the purposes of this computation all engine companies within these limits were estimated to have been "in service" exclusively within the high pressure district, whereas a considerable number of them respond to alarms outside of it.

Based on this method, 41,000,000 gallons is the maximum amount of water which could possibly have been used on fires in the high pressure zone. If metered through the high pressure system at the present average rate of 20c per 100 cubic feet, this water would cost approximately $10,800.

Conclusion.

Unless the city is willing to face a very material increase in the cost of operating the fire department, it is evident that some reorganization, accompanied by a redistribution of

apparatus is necessary prior to the time when the two-platoon plan becomes effective. The reorganization proposed in the Russell-Conlon report will make possible material economies in the operation of the fire department, both in the salary account and in the maintenance account. These economies should be sufficient to take care of practically any increased cost made necessary by the mandatory requirements of the two-platoon system. Finally, the proposals for the redistribution of apparatus contained in the Russell-Conlon report, combined with a more effective and general use of the high pressure system, can be put into effect without in any way reducing the fire-fighting efficiency of the San Francisco department.

EFFECTIVE ADMINISTRATION IN THE POLICE DEPARTMENT.

The first fundamental of effective administration in a police department is the availability of information relating to—

1. Crime conditions.
2. Activities of the department.
3. Distribution of personnel in the department.

Lacking current and complete information on these points, the work of the ablest chief of police is seriously jeopardized, as any action taken would be based on opinion or only a portión of the facts in the case.

Administrative action taken on the basis of anything but all the facts, leads to disruption of organization, and failure to secure results. In no field of municipal activity is this so true as in a police department where executive officers are dealing with more or less intangible matters, and where it is difficult to secure a standard unit whereby the work of employees can be measured.

The San Francisco Police Department has long recognized the need of a comprehensive reporting system which would currently and accurately produce the necessary information. However, it was deemed inadvisable to take any definite steps looking toward this end until the handicaps due to the poor physical arrangement of the Hall of Justice could be overcome through the installation in the main light well—the only available space—of a central filing division where all police records could be kept.

In conjunction with the centralization of a reporting system the introduction of a merit system was contemplated by means of which it would be possible to judge of the relative efficiency and value to the force of each of its officers and men.

The board of supervisors has recognized these needs and the 1917-18 budget as passed provides for both of these projects. The San Francisco Bureau of Governmental Research has been requested by the police department to cooperate in working out the details of both the central filing system and the merit system. This work will commence as soon as feasible.

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"THE CITY"

No. 11. NOVEMBER, 1917

A publication devoted to the promotion and application of scientific principles of government

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CHRONOLOGY.

Sept. 6.—Chief Engineer O'Shaughnessy interviewed in regard to taking up Hetch Hetchy study; gives assurance of co-operation.

Sept. 11.—Bureau begins study of Hetch Hetchy data.

Sept. 13.—Second interview with Mr. O'Shaughnessy. The Chief Engineer assumes an attitude of antagonism toward the proposed study of the Hetch Hetchy project and denies that he has right to grant permission to examine the Hetch Hetchy work.

Sept. 14.—Third interview with Mr. O'Shaughnessy. The Chairman of the Board of Trustees and the Director explain to the Chief Engineer the aims and purposes of the San Francisco Bureau of Governmental Research with particular reference to the Hetch Hetchy study.

Sept. 17.—First appearance before Board of Public Works *re* application for permit. Decision postponed.

Sept. 19.—Second appearance before Board of Public Works. Consideration of application again postponed.

Sept. 21.—Final hearing before Board of Public Works *re* application for permit to visit Hetch Hetchy. Board neither grants nor refuses permission.

Sept. 25 to Sept. 30.—Field inspection of Hetch Hetchy dam site and works undertaken.

Oct. 2.—Director Holton requests Mr. O'Shaughnessy for permission to examine certain engineering data.

Oct. 8.—Mr. O'Shaughnessy's letter to Mayor Rolph recommending that request be refused is published. Supervisor Brandon introduces resolution supporting Chief Engineer.

Oct. 10.—Hearing on Brandon resolution before Public Utilities Committee of Supervisors. Mayor Rolph, the City Engineer and Director Holton speak.

Oct. 15.—Board of Supervisors pass Brandon resolution.

Oct. 19.—San Francisco Bureau of Governmental Research makes formal request for data in regard to Hetch Hetchy. No action taken.

Oct. 23.—Board of Public Works offers to permit Bureau to inspect data in its possession but denies its jurisdiction over data on file in office of City Enginer.

Oct. 24.—San Francisco Bureau of Governmental Research commences mandamus proceedings to obtain access to records.

Oct. 25.—Chief Engineer O'Shaughnessy offers to show records in question to representatives of Civic League of Improvement Clubs.

Oct. 31.—Colbert Coldwell, Secretary of Board of Trustees, San Francisco Bureau of Governmental Research, files suit for mandamus to obtain access to records.

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THE HETCH HETCHY CASE.

In view of the widespread publicity following the recent Hetch Hetchy controversy and on account of the frequent recurrence of various conflicting statements and misstatements, the San Francisco Bureau of Governmental Research has assembled and is now presenting to the public a comprehensive review of the essential facts in the case.

Inasmuch as the peremptory challenge of City Engineer O'Shaughnessy in refusing access to the public records in his possession has forced the bureau and other citizens to seek relief in the law, it is not our purpose to discuss the various legal aspects of the case or the merits of the administration's attitude prior to the submission of the case to the court. The statement below is therefore confined to an historical description of the controversy, certain statements of fact, and categorical denials of inaccuracies and misstatements made by the City Engineer and others.

Objects of San Francisco Bureau of Governmental Research:

The San Francisco Bureau of Governmental Research is a non-profit making, non-profit sharing, non-political, citizen's organization, supported entirely by San Francisco subscribers and representing all the people of San Francisco. The following, taken from the Constitution of the Bureau, indicates clearly its field and purpose:

> "Article 2. **Object**—The objects of this organization shall be **to act as an incorporated, non-political, non-profit making citizen's agency for securing the highest obtainable degree of efficiency and economy in the transaction of public business,** particularly in the municipality of San Francisco, through investigating, collecting, classifying, studying, and interpreting facts concerning the powers, duties, actions, limitations and problems of the several departments of govern-

ment, and making such information available to public officials and citizens; and promoting the development of a constructive program for the city of San Francisco that shall be based upon adequate knowledge and consideration of community needs, thereby encouraging economy in the conduct of public business in order that the taxpayers may be assured full return value in services rendered for taxes paid and money spent in governmental cost payments; and further, to do any and all lawful things that may be necessary for or conducive toward the attainment of any and all of the objects and ends hereinbefore expressed."

It was in the spirit of this article that the Hetch Hetchy study was inaugurated.

Questions Involved in Controversy:

Certain of the questions involved are more vital to the city of San Francisco than Hetch Hetchy or any persons or organization.

Are public records public?

Are taxpayers entitled to the facts?

Is it safe to endow a single individual with exclusive and unsupervised control of a great public undertaking?

Will prejudice and opinion or facts be the controlling factor in our municipal administration?

Shall public officials be permitted to arrogate to themselves the right to determine what the public should be told?

These questions must be satisfied before municipal government in San Francisco becomes either democratic or efficient.

Right to View Records Under the Charter:

The Charter of the City and County of San Francisco is apparently clear in relation to the rights of citizens to examine records of public officers—a fundamental right in every democracy. Under Article XVI, Section 13, of the Charter the right of citizens to view records is outlined in these words:

> "All books and records of every office and department shall be open to the inspection of any citizen at any time during business hours."

The article continues by requiring city officials to supply certified copies of books and records at specified folio rates and by excluding police records except with the permission of the Police Commissioners or the Chief of Police.

Again in Article VI, Chapter 1, Section 6, referring to the Department of Public Works, is found the following:

> "The Board shall keep and preserve a record of all its proceedings and copies of all plans, specifications, reports, contracts, estimates, certificates, receipts, surveys, field notes, maps, plats, profiles, and all other papers pertaining to the transactions of the Board."

Bureau Has Not Asked for Special Privileges:

The San Francisco Bureau of Governmental Research is asking only for information to which any citizen is entitled. It is not requesting any special favors—any extraordinary concessions—any unusual or novel interpretations of its rights. Since the beginning of this controversy there has been an attempt, however, by those opposed to the Bureau, to show by direct statement or implication that it was infringing on its recognized prerogatives by requesting something quite outside and beyond the ordinary sphere of rights of a citizen or citizen's agency. Nothing could be farther from the facts, as has been indicated on numerous occasions during the course of the various hearings, quotations from which appear below.

Hetch Hetchy belongs to the people of San Francisco—not to Mr. O'Shaughnessy or the Board of Public Works or any other official. The people of San Francisco have a right to know exactly what is happening there. Because the people of this city have a very large degree of sentiment and pride in connection with this water supply project is no reason for withholding or distorting

COURT ORDER PAVES WAY FOR HETCH-HETCHY INQUIRY

WORKS BOARD GETS FIAT TO SHOW CAUSE

Withholding of Records in City's Water Project Must Be Explained Nov. 7

MANDATE WRIT SOUGHT

Action Grows Out of Refusal by O'Shaughnessy to Let Records Be Examined

Chronicle 10/25/17.

RECORDS KEPT SECRET

EXPLANATIONS IN ORDER FOR O'SHAUGHNESSY

Friends of Engineer Put in Busy Day, but Arguments Are Unconvincing

PUBLIC WANTS TO KNOW

Utmost Publicity in Regard to City Affairs Demanded on All Sides

Chronicle 10/13/17.

STOCKHOLDERS' RIGHTS

O'SHAUGHNESSY WILL BE MADE TO SHOW DATA

Suit to Be Filed Before End of Week to Force Access to Aqueduct Records

CITIZENS' RIGHTS UPHELD

Junkerbund Attitude of S. F. Officials Nears Limit, Declares Attorney

Chronicle 10/17/17.

REQUEST IS REASONABLE

"O'Shaughnessy has taken an unreasoning stand in this matter. The records are not his personal property, however much his attitude would lead one to believe they were. We have asked nothing from him but that which as citizens we are entitled to have. We have not asked for any special thing which is not the right of every citizen ..."

CITIZENS' RIGHTS PLAIN

LEAGUE DEMANDS PLEDGES

ONLY TRUTH WANTED

JUNKERBUND OF CITY HALL STILL DEFIANT

Of One Mind on Subject of Holton, but No One Else Seems to Agree

CITIZENS BACK LATTER

Research Bureau to Keep Up Fight to Get Facts About Hetch-Hetchy

Chronicle 10/14/17.

HOLTON HAS BACKING

NO FOREIGN INSTITUTION

DIECK'S RECORD

O'SHAUGHNESSY CASE AROUSES CITY'S VOTERS

Electors Consider Conduct of City Engineer Typical of Present Government

ELECTION ISSUES CLEAR

Officials to Be Elected Will Handle Sixty-Four Millions of Public Money

Chronicle 10/18/17.

HAYDEN ARGUES FOR INQUIRY

O'SHAUGHNESSY CASE TYPICAL

BRANDON SUSPECTS PLOT

WRIT WILL BE SOUGHT AGAINST O'SHAUGHNESSY

Effort Will Be Made Today in Court to Get Secrets of Hetch-Hetchy Work

BOARD BACKS ENGINEER

Supervisors J. E. Power and J. Emmet Hayden Argue for Giving People Facts

Chronicle 10/16/17.

Incinerators Spoil Theory Of 'Infallible' City Engineer

Ashes of People's Million Dollars Remain to Confute Administration Doctrine on Hetch-Hetchy

Chronicle 11/1/17.

MILLION DOLLARS BURNED

the facts. Meanwhile, as the affair drags on, the suspicions of more and more people are aroused—their interest, pride and support of Hetch Hetchy are in like measure alienated.

Some Axioms of Municipal Administration:

There are certain practical axioms of democracy in the light of which this question must be viewed.

1. Public records belong to the people.
2. Those who support the government through taxes are entitled to the facts regarding the government for which they are paying.
3. It is an unsafe practice, fraught with positive dangers to permit any single individual to have the exclusive management and control of any great public undertaking.
4. Public officials should not be permitted to arrogate to themselves the right to determine at what point it is wise for the public to know what they are doing and at what point it is contrary to their own preconceived opinion of public policy.
5. It is generally recognized that when a public official refuses to permit citizens to examine the records of the work under his supervision, inspection has already been too long deferred.
6. In matters of public policy it is safer to rely upon the conclusions of the "city mind"—that is the combined experience and judgment of the community—than to accept without review the opinions of any single public official.

Viewed in the light of these statements, the position of the San Francisco Bureau of Governmental Research in this controversy is clear.

The Axioms as Applied to Hetch Hetchy Incident:

Hetch Hetchy is a public project, for which the citizens of San Francisco are paying, and the facts concerning which they are entitled by every principle of justice and common-sense to know.

The San Francisco Bureau of Governmental Research is a non-partisan, non-political fact organization, representing no particular group, creed, interest or faction—but all the people. It has requested information on certain data to which it, as a citizen organization, is fully entitled.

Mr. O'Shaughnessy has determined that he will not turn over to the San Francisco Bureau of Governmental Research the data requested.

This assumption of autocratic power is destructive of democracy. It is unwise, unsafe and subversive of public interest. It places Mr. O'Shaughnessy and any other official who desires to take the same stand in a position of denying the right of citizens to know what is being done with their money.

The judgment of the people of San Francisco in regard to Hetch Hetchy will, in the long run, prove the sanest—Mr. O'Shaughnessy to the contrary notwithstanding—and whatever the facts may show the people are entitled to interpret and pass judgment on them.

This question in its broadest aspect is bigger than Hetch Hetchy—bigger than Mr. O'Shaughnessy—bigger than any current fact, project, or person, for it involves a question of public servants and their relation to the people they serve—of municipal administration in the clear light of fact and not in the half lights and shadows of prejudice, rumor, opinion and politics; it involves questions of mutual trust by citizens and officials—of fundamental rights that cannot be denied—of San Francisco for its citizens and for none other.

Hetch Hetchy Study Long Planned:

It had long been the intention of the San Francisco Bureau of Governmental Research to make a study of the Hetch Hetchy project, but it was not until this fall that the press of other work became sufficiently relieved to permit active work on this most important undertaking. Organization of the Bureau had occupied much of the time of the first months. Studies in connection with the budget had then consumed the attention of almost the

ity Engineer Makes No Secret Of Hetch Hetchy Work

vspaper Men and Supervisors, After Visit, Are Delighted With Splendid Progress Already Made

Call 10/11/17.

City Engineer M. M. O'Shaughnessy is doubtless able to ke any necessary reply to the attack made upon his admin-y of the Hetch Hetchy project.

The Bureau of Government Research declares, through its resentative now here in San Francisco, that it is impossible, it any rate very difficult, for the bureau to get access to defi-e means of information as to the progress, scope and man-ment of the Hetch Hetchy project.

The Research Bureau representative, in his comments upon Hetch Hetchy situation, declares, or at least insinuates quite inly, that O'Shaughnessy and his administration are very ch averse to giving out any information whatsoever in regard the Hetch Hetchy work.

The Call has no wish to act either as critic of the Research eau or of Mr. O'Shaughnessy, nor as mediator between m.

Still less does this paper desire to fan even ever so gently flame of untoward and impractical dissension—but there is statement which The Call herewith feels impelled, by the est candor and honesty, to make.

Two weeks ago City Engineer O'Shaughnessy took a party supervisors and representatives of the San Francisco news-ers on a tour of the Hetch Hetchy.

The party was given access to every part of the project and city engineer gave detailed personal explanations and freely wered every question that was asked him.

The San Francisco newspaper men and supervisors were zed and delighted at the splendid progress that has been de.

work is pro-
with remark-
pe, it is not a
Research Bu-

Stand by O'Shaughnessy.

Bulletin 10/15/17.

CITY ENGINEER M. M. O'SHAUGHNESSY is one of the foremost engineers in the United States. He accepted his present position at a considerable financial sacrifice in order to have the honor of constructing the Hetch-Hetchy water system. Certainly no man in California is more interested in the speedy, economic and successful completion of the Hetch-Hetchy system than is Mr. O'Shaughnessy.

The Hetch-Hetchy project is opposed by very powerful interests, for not only will Hetch-Hetchy supply water in competition with Spring Valley, but it will also supply huge quantities of power in competition with the power companies. The electric power supply will be the first element of the Hetch-Hetchy system to be completed, according to Mr. O'Shaughnessy's program, and it is expected that the power thus developed will run the municipal railway, light the streets, and produce a large amount of revenue.

Those who attended Mr. O'Shaughnessy's illustrated lecture at the Mission Promotion Association the other night were astonished to learn of the very large amount of constructive work already accomplished.

It is natural and inevitable that from this time forward the special interests whose profit lies in retarding the development of Hetch-Hetchy will harass and obstruct City Engineer O'Shaughnessy in various ways.

Recently the San Francisco branch of the Bureau of Governmental Research applied to the city engineer for special permission to inspect certain of his records and data. He refused to grant this special permission because he suspects that these volunteer inquisitors are merely seeking material for unjust and misleading criticism of the work done and planned in the development of the Hetch-Hetchy system. Knowing that the opponents of Hetch-Hetchy are [illegible]st that project, City Engineer O'Shaughnessy [illegible]y, which he suspects of unfair intentions, any [illegible]

with

HETCH HETCHY CONTROVERSY.

S. F. Real Estate Bul. 10/15/17.

The position taken by City Engineer [O'S]haughnessy in refusing to grant permission [to] the San Francisco Bureau of Governmental [Res]earch to inspect certain fundamental engi[nee]ring data respecting the Hetch Hetchy project [is] indefensible, no matter from what standpoint [it i]s viewed. The questions involved are funda[men]tal. It is a test not only of the particular [poi]nts embraced in the controversy—it is more [tha]n that—it is a test of the efficiency and sound[nes]s of democratic principles of government. [Wh]en Mr. O'Shaughnessy denied the right of a [sem]i-public citizens organization to know what [is] happening in the city government, when he [refu]sed basic data necessary to an appraisal of [the] Hetch Hetchy project, involving as it does expenditure of millions of dollars of the tax[pay]ers' money, he assumed a position repugnant [to] democracy and to the spirit of the city of [San] Francisco. Mr. O'Shaughnessy indicates [tha]t he believes the individual is ever wiser than [the] group and that it is unsafe to let the citizens [of t]he community know what its elective and ap[poin]tive officials are doing.

[I]n recommending that the request of the [San Fra]ncisco Bureau of Governmental Research for [the] information be denied, the city engineer vio[late]s the dignity of his high position by resorting [to t]he tactics of those who follow in the path of [pol]itical expediency. He employs the [illegible] [old]en method of dragging the herring of person[alit]ies and extraneous issues across the trail.

His choice of language to say the least is [unfort]unate. his misstatements of fact [illegible]

He alleges that the San Francisco Bureau [of] Governmental Research was founded and [sup]ported by John D. Rockefeller. [illegible] [hal]f of his letter to the Mayor is given over to [a tira]de against the Rockefeller and Carnegie [fou]ndations. That is not merely an [illegible] [of t]he premonce—it is an absolute misstatement [of] fact. The San Francisco Bureau of Govern[me]ntal Research was organized and is supported [entir]ely by local taxpayers.

This [illegible] the city of San Francisco. [illegible] the entire Hetch Hetchy [illegible] [illegible] but another question [illegible] [fund]ental forces itself upon the public. [illegible] matter if the Hetch Hetchy project is threat[ene]d by construction conditions. But it [illegible] of quite as much importance that public [officia]ls be not permitted to arrogate to themselves [the] rights to determine at what point it is wise [for] the public to know what they are doing [and at] what point it is contrary to their own pre[con]ceived opinion of public policy. Not only [is the] charter specific in regard to the inviolate [nat]ure of the right of citizens to inspect public [rec]ords, but the entire spirit of our democratic [gov]ernment is diametrically opposed to public [offi]cials maintaining the point of view assumed [by] Mr. O'Shaughnessy. As Mr. Holton stated in [his] reply to the Chief Engineer, it is an attitude [eq]ualed only by the intolerance of a Prussian [bu]reaucrat. There is but one [illegible]

WEDNESDAY OCTOBER 17, 1917

THE HETCH HETCHY EMBROGLIO.

Recorder.

Disputes between public officials and citizens or their representatives are neither edifying or enlightening. They engender bad feeling, stir up strife and create disquietude without accomplishing anything constructive.

At present the community is being treated to a verbal and possibly a legal combat between City Engineer O'Shaughnessy, in whom the community has the greatest confidence, and the directing head of the Bureau of Municipal Research, Mr. Winfred B. Holton, who is engaged in the commendable, altho apparently thankless task of endeavoring to find out how the money of the taxpayers is spent and why.

In such a dispute even an angel might get himself disliked, not because anything radically wrong was turned up in the course of his investigations but because people who ask questions are not regarded with favor, notwithstanding the honesty of their intentions.

Mr. Holton, acting for the Bureau of Municipal Research, has asked for certain data concerning Hetch Hetchy construction work that City Engineer O'Shaughnessy, with unusual vehemence, has refused to give him, and in which attitude the City Engineer has the support of the Mayor and Board of Supervisors.

As a matter of law any citizen has the right to the information sought by the Bureau of Municipal Research, an organization conducted and supported by taxpayers of the City and County of San Francisco. It is, of course, unfortunate that most of the contributors to the support of the Bureau of Municipal Research are men of means—large taxpayers—who are not supposed to take a lively interest in such matters, but in this instance these men are quite insistent upon their right to know how and what work is being done on the Hetch Hetchy project and to see the plans and details if they are necessary to the conduct of the investigation that they are conducting into the matter.

The people of San Francisco have a large stake in this project, they are going to spend upwards of $45,000,000 to bring water from the Sierras and to develop power for municipal and other purposes. It may be that mistakes have been made, it may be that the dam site is so located that a rock bottom cannot be found. It may be that other errors have been committed. It would be nothing unusual if there had been mistakes made. Few large engineering projects are carried to completion without them and it would be the exception if a great public project should escape altogether the fate of other large enterprises.

If no mistakes have been made, if the dam site is properly located and the site was determined upon by some very eminent engineers and rock bottom can be found, and tales have been maliciously peddled by mischief-makers, no possible harm can come thru exhibiting to the representatives of the Bureau of Municipal Research the data and documents that they desire.

On the other hand if mistakes have been made, if the dam site is not properly located and a new site must be chosen after the expenditure of considerable money, it is just as well to let the people know the fact, and do as any private corporation would do, locate an other dam site.

The ventilation of such things in the newspapers gets nowhere. The participants in such disputes rush into print [illegible]

JOURNAL OF ELECTRICITY

October 15, 17.

A Review of the Hetch Hetchy

The recent refusal of the city engineer of San Francisco backed by the Board of Supervisors and the Mayor, to allow the San Francisco Bureau of Governmental Research to review the present status of the Hetch Hetchy project will meet with considerable disapproval by the engineering fraternity as a whole.

But it must be remembered that the engineer [illegible] this project [illegible] reputation for creative imagination [illegible] projects in the locality [illegible] passed similar feats in engineering [illegible] [illegible] consequence he has the respect [illegible] of the engineering and commercial world generally [illegible] this project has in previous [illegible] engineers of world wide reputation [illegible] bad features are amply a matter of [illegible] proceedings of national engineering [illegible] spread upon the records of the [illegible] but even more important than the [illegible] fact that the engineer of a project [illegible] portions as the one under [illegible] have confidential data that he [illegible] until satisfied with its correctness and until satisfied that the truths conveyed by such confidential information cannot be perverted by others not versed in [illegible]

Yet in spite of [illegible] that [illegible] of engi[neering] [illegible]

[illegible] or confidence to a greater extent than an apparent unwillingness on the part of public officials to put all [illegible]

entire staff until the end of June. The loss of several staff members on account of the war offered a further delay. Finally, in August, 1917, matters had so shaped themselves that the study could be entered upon with assurance that it could be carried through to its completion.

It was felt that an impartial statement of the engineering and other features of Hetch Hetchy should be given the citizens of San Francisco. It had been impossible to include any study of the project in the Survey Report. No complete analysis of Hetch Hetchy data had ever been prepared. The only available record was a mass of documents, reports and speeches which had never been drawn into a logical whole. The bureau had also received a number of disquieting and conflicting reports and rumors in regard to the work on Hetch Hetchy. These reports emanated from a variety of sources—from men who had been or still were employed on the project as engineers or in other capacities—from interested citizens who had visited the works and from numerous others. Many of these reports were of such a nature that, if true, they would seriously jeopardize the success of the entire undertaking. Others implied the necessity of a most careful appraisal of the engineering features of the work in order to determine the soundness of certain phases of the project.

Chief Engineer O'Shaughnessy Welcomes Investigation:

Early in September the Director of the San Francisco Bureau of Governmental Research, called on City Engineer O'Shaughnessy to inform him that it was the purpose of the Bureau to undertake a study of the Hetch Hetchy project. At that time Mr. O'Shaughnessy made it clear that he would gladly co-operate with the Bureau in this work. He stated that he would welcome an impartial appraisal of the work so far accomplished and the proposals for future development.

Because of the highly technical nature of this investigation and its obvious difficulties and magnitude, it was decided to obtain for the work an engineer of the highest technical training and the broadest practical experience.

The Bureau was fortunate in being able to secure the services of Mr. Robert G. Dieck, late Commissioner of Public Works in Portland, as chief examining engineer.

Mr. O'Shaughnessy Changes His Attitude:

Within a week, however, Mr. O'Shaughnessy's attitude had suffered a most surprising and radical alteration, without apparent reason. Instead of welcoming the efforts of the Bureau, the Chief Engineer, in a conference with Mr. Holton and Mr. Dieck, took a course that was both abusive and belligerent. Not only did he entirely reverse his previous position, but he attacked the motives of the Bureau and of its Board of Trustees. In order to present to Mr. O'Shaughnessy the exact position of the Trustees on this matter, a conference was arranged for the following day between Mr. O'Shaughnessy, Mr. Holton and Mr. Bruce Cornwall, the chairman of the Board of Trustees of the Bureau. At this meeting Mr. O'Shaughnessy was even more intolerant than at the first visit.

It was at this meeting that Mr. Holton reiterated what he had told Mr. O'Shaughnessy at the previous conference—that the San Francisco Bureau of Governmental Research was not asking for any favors, did not want any favors, and would not accept any favors or privileges—that it did not want, in any way, to infringe on the rights and privileges of any public official or officials; and that any idea of supervision of even the most minor details of work was entirely foreign to the attitude and purpose of the Bureau.

Bureau Requests Permission to Visit Works:

Study of the available data was continued. This consisted of an enormous mass of unrelated documents, reports and statistics which had never been drawn into a logical whole and which at many points exhibited the most surprising inconsistencies. A complete and carefully annoted digest of these was made,—probably the first time that the various conflicting and contradictory statements concerning Hetch Hetchy had ever been exhibited so that comparisons and study were possible.

Hetch Hetchy Investigation Balked. 10/13

A dozen years or more ago there was instituted for the purpose of inquiry into the financial affairs of New York City an organization styling itself the Bureau of Municipal Research. It was nothing more or less than an organization of expert examiners and accountants going for the municipality the kind of work done for business firms by expert bookkeepers. As the work progressed it was seen to be a bigger job than had been expected—one far beyond the resources of the small group of citizens under whose inspiration it was undertaken. Appeal was made for contributions in promotion of an obviously businesslike project, it was heard and heeded by many very considerable taxpayers having the natural wish to know how their money was being spent. The results were highly instructive in their exposition of extravagance and carelessness and in pointing the way to better methods of conducting the public business. The reports of the bureau entered not at all upon the sphere of opinion, its whole and only business was to develop facts, conclusions based upon the facts being left to those whom they might concern.

So effective and important became the work of the Bureau of Municipal Research that it was established as a permanent institution. It attracted attention elsewhere. Taxpayers in other cities, observing the good work in New York instituted like organizations, calling upon the original bureau for men trained in the business of working out from the mazes of municipal bookkeeping essential facts and figures and presenting them in terms plain enough for popular comprehension. Thus the New York Bureau of Municipal Research—supported by private subscription—became a parent organization from which many cities in the country have drawn experts.

Something more than a year ago a group of citizens and taxpayers of San Francisco moved thereto by the large and increasing charges of government here organized a Research Bureau to investigate and report upon the financial operations of the municipality. Of this organization Mr. Bruce Cornwall is the president, Mr. Frederick S. Moody is vice president and Mr. J. J. Ragan the treasurer.

Very recently in the course of its investigation the Research Bureau undertook a study of the Hetch Hetchy project. The purpose was the entirely legitimate one of developing the facts concerning that enterprise—the amounts expended and for what purposes, the ends in view with the adaptability of the various means in operation, the fundamental conditions of the physical problem, etc. What it was proposed to develop and set forth is precisely what any citizen and taxpayer of San Francisco has the right to know. A more proper or a more necessary enterprise in connection with the interests of San Francisco could hardly be conceived.

But the investigation has struck a snag. The bureau is not to be permitted by the municipal authorities to examine the data of the Hetch Hetchy project. Access to records essential to development of the facts—of facts interesting and important to every citizen and taxpayer—has been denied by City Engineer M. M. O'Shaughnessy.

Mr. O'Shaughnessy's reasons are interesting. The engineer (Robert G. Dieck) assigned by the director of the Research Bureau to the work of investigating the Hetch Hetchy project is in the view of Mr. O'Shaughnessy disqualified by the fact that he was once defeated for the position of commissioner of public works at Portland, Oregon. Mr. O'Shaughnessy quotes one Barbour, the present commissioner of public works in Portland, in the declaration that the system established by Mr. Dieck was "too elaborate for a city the size of Portland." Further, Mr. O'Shaughnessy does not deem it "consistent with the dignity" of the bureau of engineering of San Francisco to turn over for criticism to "a man of Mr. Dieck's limited experience" all of the data now being compiled on the Hetch Hetchy project. Mr. O'Shaughnessy objects further on the ground that the report of the bureau hitherto published with respect to municipal operations in San Francisco does not accord with his own statements and views.

The Hetch Hetchy project is public business. Every operation in connection with it has been at the hands of public officials. Every dollar put into it has come from the taxpayers. Hetch Hetchy we repeat, is public business, wholly and solely. What right has Mr. O'Shaughnessy or Mayor Rolph or anybody else to refuse to any group of citizens and taxpayers the privilege of looking into the operations, the methods, the accounts of a great public project which has already cost four millions or more dollars and whose further prosecution is calculated to run into tens of millions? Wherein lies the vaunted "dignity" under which the department of which Mr. O'Shaughnessy is the head claims exemption from investigation and criticism?

We can only infer from the attitude of Mr. O'Shaughnessy—in which he obviously has the support of the mayor—that there is that in what has been done, what is doing, or what is proposed to be done in the matter of Hetch Hetchy, that the city engineer and the mayor do not wish to be known by the public. The only possible motive for denying access to records, reports, surveys, etc., is that of concealment. To what a state have our affairs come, in what bondage to a coterie of politicians do we be, when there may be denied the privileges of investigation and inquiry into the public affairs of the municipality of San Francisco? What can be the state of mind of a coterie of officials swollen up in the pride of a little brief authority, that they dare shut the public books—to hide from public view the record of their doings and projects?

Mr. O'Shaughnessy Again. 10/20

Definite contribution within the week to the facts in the matter of the Research Bureau and Engineer O'Shaughnessy (and Mayor Rolph) has been limited to three developments: (1) Formal application to the Board of Supervisors by the Research Bureau for permission to inspect the Hetch Hetchy accounts and records; (2) an opinion from the city attorney's office to the effect that the records of Mr. O'Shaughnessy's office are not public property until they have been presented in the form of an official report and placed on file; (3) a popular (and as yet undenied) report that Mr. O'Shaughnessy, while openly neglecting certain duties of his office upon the plea that he has lacked time to attend to them, has nevertheless found time to act as consulting engineer—practically as chief engineer—of an important constructive enterprise north of the bay for the Marin Water District, and for which he has been and is being paid at the rate of $200 per month. It is understood, further, that the Bureau of Research is in consultation with attorneys and that it proposes within the week to stand upon its legal rights and push its demands for access to the accounts and reports of the city engineer's office. We are informed that three suits to this end are in contemplation: (1) to be instituted by Mr. W. R. Holton, Jr., as director of the Bureau of Municipal Research; (2) by the Bureau as a corporation with the rights of a citizen; (3) by Colbert Coldwell, secretary of the Bureau, appealing as a citizen.

The sum and substance of this whole matter is that the municipal administration, operating with and through its engineering department, is unwilling to have the public know what it has done, what it is doing, and what is in prospect in the matter of Hetch Hetchy. There can be no other motive for its arbitrary and defiant shutting of the door against inquiry into the facts. Somewhere between four and five million dollars has already been expended at Hetch Hetchy. There have been blunders and extravagances, as the records will surely show. Already it is obvious that the original estimate of $45,000,000 for the completed project is ridiculously inadequate. Under these conditions it is hardly surprising that those who have let the city in for the colossal job—the stupendous folly of "putting into reality" this absurdly "wild dream," should wish to hide their miscalculations and delinquencies in the elaborated confusions of an "official report."

Camouflage in Municipal Affairs. 10/27

The issue between the Bureau of Municipal Research and Mr. O'Shaughnessy, head of the Municipal Bureau of Engineering (loyally supported by the mayor and the board of supervisors) is a simple one. Does the data concerning the Hetch Hetchy project, accumulated during the past five or more years at great cost to the municipal treasury, belong to the city as a part of its records, or is it the private property of Engineer O'Shaughnessy? The Research Bureau holds to the former theory and upon this theory it bases its claim to the right of inspection and investigation. Mr. O'Shaughnessy, and the mayor if we may interpret their views in the light of their conduct, hold to the other view of the matter.

There has been expended in pursuance of the Hetch Hetchy project somewhere between four and five millions of dollars—all taxpayers' money. With respect to the manner of this expenditure and to the results attained by it there are and have long been current unpleasant rumors. The air, so to speak, is full of stories which more or less discredit the operations and achievements in the Hetch Hetchy affair of the Bureau of Engineering, to date. To the end of uncovering and setting forth the facts in understandable form, the Research Bureau demands access to right opportunity to inspect the records of the Hetch Hetchy project, including the results of engineering investigations at the proposed damsite and elsewhere. Mr. O'Shaughnessy refuses to open the books, declaring in effect that his own report when he shall be ready to make it, will exhibit all the facts that anybody has the right to know.

Neither Mr. O'Shaughnessy nor any other experienced public official needs instruction in the art of camouflage. The average official report as frequently illustrates the art of concealment as the art of exposition. If it be desired to involve any technical complicated public problem in confusion there is no better way to do it than to tell half the truth, which makes one side of a given case, and to present it as the full story. This is the usual "official" method. We do not allege that Mr. O'Shaughnessy has any intention to engage in this species of practice, yet from his refusal to open the books for inspection the inference is inevitable that there is that in the record which he does not wish to be given to the public. The thing looks bad on its face. The people of San Francisco, who have put up the money for the work at Hetch Hetchy, are entitled to know the facts and to have them reported in understandable shape. It is not sufficient that they should have merely—and when he pleases—Mr. O'Shaughnessy's interpretation of what has been done at Hetch Hetchy.

It would seem that an official whose operations were legitimate and above board would welcome the most searching examination of his records. That Mr. O'Shaughnessy insists upon holding the books closed is subject to suspicion or at least to interpretation. Possibly the psychology of the man has something to do with it. He is a notorious egotist, with the egotist's arrogance in respect of matters relating to his personal authority. He resents not only interference, but suggestion. He is an habitual boaster of his professional abilities and commonly illustrates his good opinion of himself by contemptuous reflections upon other engineers. Now and again a competent assistant is brought into the department of which he is the head but such are commonly displaced by men adept in the trick of paying tribute to the vanities of their chief. We repeat that the psychology of the head of the Municipal Bureau of Engineering may in a measure account for his amazing refusal to the Research Bureau of a privilege to which any citizen is legally entitled. But there is suggestion of other explanations.

The rumors which have given rise to public inquiry in the matter of Hetch Hetchy are numerous and insistent. We pass over old and still undetermined questions as to amount of water supply and as to sufficiency of the water rights secured by the city to less vital matters of detail. In these there are included allegations of faulty surveys, of inadequate and inaccurate tables of cost, and more important even than these, stories to the effect that a proper base upon which to construct the projected dam have not been found. A certain credit attaches to all such rumors in respect of Mr. O'Shaughnessy's notorious habit of underestimating the cost of miscellaneous public works. It is an open secret that the contractor who undertook construction of the Hetch Hetchy Railroad has been forced close up to the point of bankruptcy by his too confident acceptance of "official" estimates. It is recalled that the lowest bid for the projected Hetch Hetchy tunnel soars above Mr. O'Shaughnessy's estimate to the tune of 46 per cent. Also it is recalled that in the construction of the Twin Peaks tunnel there has been piled up a mountain of extra charges, running the cost to approximately a quarter of a million dollars above the contract figures.

The issue, we repeat, is a simple one. Do the records of the Hetch Hetchy project belong to Mr. O'Shaughnessy, and are they to be made public only when and in such form as may suit the convenience and "policy" of that gentleman? Or, having been made under municipal jurisdiction and paid for with public money, are they public property and therefore subject to public examination? In the opinion of the *Argonaut* there is but one answer—the records are public property and the Bureau of Research, as representing a considerable group of representative citizens and taxpayers, has the right of access to them. The fact that Mr. O'Shaughnessy, backed up by the mayor and supported by the board of supervisors, seeks to shut the door against investigation is, to put it mildly, suggestive of the [illegible]

The Argonaut.

When the study had progressed to this stage it was deemed advisable to make immediate arrangements for an inspection of the work in progress. The impending winter season made it particularly urgent that the field inspection work be undertaken at the earliest possible date. Mr. O'Shaughnessy was told that the Bureau would appreciate an opportunity to inspect the work in his company. It was especially urged that in case it was not possible for him to attend personally he assign one of his engineers to join the inspecting party. From the inception of this study the Bureau made every effort to impress upon the city officials concerned the fact that this was not a sub-rosa investigation, and the request that a City engineer accompany the inspection party was a concrete evidence of the sincerity of this declaration.

The City Engineer when asked for permission to visit the work replied that the Board of Works had final jurisdiction in the matter of granting permission for a field examination. Accordingly on September 13th the following letter was directed to the Board of Works:

"To the Honorable,
The Board of Public Works,
City Hall, San Francisco.
Gentlemen:

"I have been advised by Chief Engineer O'Shaughnessy that, before being permitted on the Hetch Hetchy work, it is necessary to secure a permit so to do from the Board of Public Works. Will you kindly advise me if it is necessary to make a formal application for such a permit, and, if so, in what form it should be prepared?

"If a formal or special application is not necessary, may I ask you to consider this letter as an application for a permit authorizing the Director and staff members of the San Francisco Bureau of Governmental Research to visit the Hetch Hetchy work for the period of two months beginning September 15th and closing November 15th?

"Sincerely yours,

"W. B. HOLTON, JR.
"Director."

Although this letter was addressed to the Board on September 13th, no acknowledgment of it was received, and it was not until September 21st that the matter was formally brought up. In regard to this phase of the matter, Mr. Holton said at the meeting before the Public Utilities Committee hearing on the Brandon resolution:

> "It was filed with the Board of Public Works on the Friday morning following, and inasmuch as I had received no reply by Monday informing me whether this application complied with the formalities of the Board, I attended a meeting of the Board of Public Works and found there President Reardon and Commissioner Fraser. Commissioner Judell was absent, and, after an incidental discussion, President Reardon stated that, inasmuch as this bill was in the bailiwick of Mr. Judell and he was not present, the matter would be put over until Wednesday—to which we agreed, of course. On Wednesday, I attended for the second time the meeting of the Board of Public Works. At that time there were present the President and the other Commissioners. Commissioner Judell said that he had given the matter some thought, but that he had not reached any conclusion, and asked that the matter be put over until Friday—to which we also agreed. And I stated at that time, as I had stated at the Monday session, that if there were any further particulars which they might desire to have before them as to exactly what we wanted to do, where we were to go, and at what time, and in general the records that we would like to see, that everything would be placed before them."

At the meeting on September 21st a most peculiar and interesting situation developed. In spite of the fact that City Engineer O'Shaughnessy had insisted that he had no authority in the matter and that exclusive jurisdiction lay with the Board of Works, the Board denied having authority and stated that no permit was necessary—that numerous persons had visited the work—and that no one had ever been denied that right.

The Bureau Asks No Special Favors:

In order to make the position of the Bureau absolutely clear, Mr. Holton stated that his appearance there was only because of a suggestion made by City Engineer O'Shaughnessy. The fact that the Bureau wanted no favors was strongly emphasized, as the following excerpt from the official record will show:

Mr. Holton:

> "That brings us to the point at issue, as I see it here: We asked the Chief Engineer for a permit; we asked him for permission to examine the records of the Hetch Hetchy work and to inspect the work in progress. Mr. O'Shaughnessy referred me to the Board of Public Works. Following the conversation with Mr. O'Shaughnessy, I transmitted my request to the Board of Public Works. To make my point clear while I am here, I will say this, that the San Francisco Bureau of Governmental Research is asking no favor; we want no favors, neither any special privileges; that I must insist upon being clearly understood at this time. Neither do we object, nor have we objected at any time, to what we have considered to be a reasonable provision on the part of the Board of Public Works and the Department of Engineering, that an application for permission to visit this work be reviewed, and an understanding had in advance as to what was intended to be done. We certainly have had no objection to these provisions. **Now, if there is any thought in that statement (pointing to the letter of application) either by direct statement or by implication,** which asks for the granting of any special privilege, or which, upon the granting of the permit, would be recognized as the granting of any special privilege, I now formally desire to withdraw that part of the application."

Mr. Judell (Replying):

> "We understand you perfectly."

The outcome of the proceedings was that the Board neither granted nor refused permission to the Bureau to visit the work. They merely indicated that as other

individuals and organizations had frequently inspected Hetch Hetchy the Bureau could do the same and that they would offer no objection. They insisted, however, that an examination of the original records at the works would seriously interfere with the progress of the work on account of the short season and the consequent congestion of activity. This phase of the matter was therefore dropped.

Statements of Board Members Respecting Records:

In the light of subsequent developments, however, numerous statements made during the course of the hearing by members of the Board of Works are of especial and particular interest. Thus, on page 4 of the record, Commissioner Judell is reported as saying:

> "About the records, so far as I know, they are out here in the City Hall, and you are able to have access to them; there is no question about that."

Again, on page 6, President Reardon, in reply to a statement by Mr. Holton, said:

> "We are not refusing you on the advice of the City Attorney upon your rights to inspect the records of Hetch Hetchy. The records are now in this building; if you see fit to inspect them, you will find the records right in this building."

And again, on the same page, Mr. Reardon speaking:

> "The records, as you were told before, are public property and are here in the City Hall, and are records of the Board of Public Works."

On Monday, October 24th, Mr. Holton attempted to secure an appointment with Mr. O'Shaughnessy for the purpose of discussing matters before making the trip to Hetch Hetchy, and, if possible, to have Mr. O'Shaughnessy or a member of the engineering staff accompany Mr. Dieck. The Chief Engineer, however, stated that he could not see Mr. Holton until Wednesday—a day when

Commissioner Judell could not be present. It was therefore decided to delay matters no longer, but to proceed at once to an inspection of the works.

Hetch Hetchy Workings Inspected:

A thorough inspection of the main workings at Hetch Hetchy dam site was made during the course of the week by Mr. Dieck and Mr. Eliel of the staff of the Bureau. Much data was obtained through interviews with various persons on the works and at other points. Disquieting reports were heard as to the maximum depth of bedrock below the dam foundations—that, in fact, it far exceeded the original depth estimate of the engineer. The problem of constructing the dam at even the minimum depth as indicated by these reports appeared to be one of unparalleled difficulty from an engineering standpoint, and the probable cost of such a structure far exceeded any of the published estimates relating to this portion of the work.

There are several engineering features and numerous financial and economic phases of Hetch Hetchy which are of the first importance. Among the engineering items of prime magnitude the tunnels, the dam, the pipe lines, the power features, are the most vital. All other engineering matters are purely incidental to the successful and economical completion of these main details of the project. In taking up these matters, the question of the dam was first considered. Was it a feasible structure? Was it sound engineering? Could construction difficulties be coped with? What would be the probable cost? Would it be safe? Was the probable expense justified? In order to throw some light on these and numerous questions incident to the other parts of the project, and in view of the statements made by members of the Board of Works and quoted above to the effect that the records were all public and available to the Bureau at any time, the following letter was sent to Mr. O'Shaughnessy:

RESEARCH BUREAU BARRED FROM HETCH-HETCHY

SPONSORS OF PROBE FLAYED

Bulletin 10/8/17.

O'SHAUGHNESSY FLAYS BUREAU INVESTIGATORS

CITY ENGINEER REBUFFS PROBER; FEARS 'INTERESTS'

Daily News 10/11/17.

O'SHAUGHNESSY WITHHOLDS DATA ON HETCH-HETCHY

City Engineer Refuses Detailed Information to Head of Research Bureau

Chronicle 10/5/17.

O'Shaughnessy Scores Bureau Of City Research

City Engineer Declares It Has Little Sympathy With Hetch-Hetchy Project

Examiner 10/11/17.

REFUSAL OF HETCHY DATA TO JOHN D., PLEA OF O'SHAUGHNESSY

Call 10/5/17.

"October 2, 1917.

"Mr. M. M. O'Shaughnessy,
Chief Engineer Bureau of Engineering,
Department of Public Works,
City Hall, San Francisco, Calif.

"Dear Mr. O'Shaughnessy:

"I am informed by Mr. Dieck that the examination of the Hetch Hetchy work has reached a stage where it would be desirable to have access to certain of the detailed engineering data, and am writing you this letter in order that we may be apprised when it will be possible and convenient to you to allow us examination of these. Specifically, it is desired to have access to the following information:

"1. Detailed estimates of cost of the more important structures—the dam at Hetch Hetchy, the tunnels and the pipe-line across the San Joaquin Valley.

"2. Diamond-drill and other borings at the dam site, with a plat showing their precise location and a contour map of the dam site.

"3. Diamond drill borings along the tunnel lines.

"4. The proposed section of the dam at Hetch Hetchy, with information as to the assumptions made in the design.

"We would appreciate very much a collection of these data at your earliest convenience, and advice as to the time when they will be available.

"Very truly yours,
"W. B. HOLTON, JR.,
"Director."

Mr. O'Shaughnessy's Reply to the Request of the Bureau:

As Mr. O'Shaughnessy made no acknowledgment of the receipt of this letter, the Bureau assumed that the letter was under advisement, or the data requested was being collected. It was not until the 8th that it was known that any action had been taken. On that day the afternoon papers published a letter dated October 3rd, written by Mr. O'Shaughnessy to Mayor Rolph and rec-

ommending that the Bureau be denied access to the data requested. This letter will be discussed in detail below. Mr. O'Shaughnessy advanced three reasons for refusing to give out the information:

1. That Mr. Dieck had been defeated for public office.
2. That Mr. Holton had published statements in regard to the Bureau of Engineering which were inaccurate and untrue.
3. That the San Francisco Bureau of Governmental Research was a branch of the Bureau of Municipal Research of New York which organization has received support from the Rockefeller Foundation, and that the local Bureau was therefore prejudiced against public ownership.

Mr. Holton replied to Mr. O'Shaughnessy's statement the next day. In this he denied categorically the statements made by Mr. O'Shaughnessy as to the relations of the San Francisco Bureau of Governmental Research with the New York Bureau of Municipal Research and the Rockefeller Foundation and discussed in detail the other phases of Mr. O'Shaughnessy's letter.

The Spirit Underlying the Investigation:

It was with full appreciation of the difficulties involved, and without any idea of "muckraking" that the San Francisco Bureau of Governmental Research undertook the study of the Hetch Hetchy project. As an organization whose sole purpose is the gathering and interpretation of facts, and whose field embraces the entire fabric of the city government, it was inevitable that sooner or later Hetch Hetchy should be made the subject of a study. In the face of the disquieting and conflicting rumors and reports which have been received almost daily by the Bureau since its organization and which in the main cast a cloud on the entire enterprise—in view of the comment which was rife throughout the city that everything at Hetch Hetchy was not going as it should,

it was incumbent on the Bureau to prove, if possible, the truth or falsity of these statements.

Personal prejudices, political considerations, opinions, outside influences of every kind have never entered as factors in this investigation. It was and is a fact investigation fundamentally and primarily and has been so from its inception. So zealous has the Bureau been in this regard that it has laid it down as a principal that persons who might have an interest adverse to Hetch Hetchy were not even to be interviewed no matter how valuable might be their point of view or the facts which they might have to present.

A Serious Line of Inquiry:

In the course of their search for facts as opposed to rumors and opinions the Bureau's investigators as already pointed out were informed that certain conditions of a most serious nature existed at the dam site. Specifically this information indicated that bed rock at the dam might be many feet lower than had ever been indicated by any published reports or public statements. The seriousness of this line of inquiry could not be avoided. Already a monumental structure even at the limited depth of rock assumed in the Freeman report it becomes one of unprecedented magnitude at the increased depth indicated to the Bureau by persons acquainted with the work. Not only are the engineering features made immeasurably more difficult, but the cost of such a structure might easily be so great as almost to preclude its economic feasibility.

It was, therefore, only an attempt to throw "fact light" on these various phases of the question that caused the Bureau to request Mr. O'Shaughnessy among other things for "Diamond drill and other borings at the dam site, with a plat showing their precise location and a contour map of the dam site," and "The proposed section of the dam at Hetch Hetchy with information as to the assumptions made in the design."

Mr. O'Shaughnessy's Letter to Mayor Rolph:

To this straightforward and business like request for engineering fact data Mr. O'Shaughnessy replied with his letter to Mayor Rolph which is given in full below:

"City and County of San Francisco
"Department of Public Works,
Bureau of Engineering.

"October 3, 1917.

"Hon. James Rolph, Jr.,
Mayor,
San Francisco, Cal.

"Your Honor:

"I am in receipt today of a letter from Mr. W. B. Holton, Jr., Director of the San Francisco Bureau of Governmental Research. This letter requests:

" '1. Detailed estimates of cost of the more important structures—the dam at Hetch Hetchy, the tunnels, and the pipe-line across the San Joaquin Valley.

" '2. Diamond-drill and other borings at the dam site, with a plat showing their precise location and a coutour map of the dam site.

" '3. Diamond-drill borings along the tunnel lines.

" '4. The proposed section of the dam at Hetch Hetchy, with information as to the assumptions made in the design.'

"The results of the diamond drill borings along the tunnel aqueduct Mr. Holton can secure by taking out a copy of our specifications for the Mountain Division of the Hetch Hetchy Aqueduct which contains all available information on that subject.

"The results of diamond drill borings at Hetch Hetchy dam site will be incorporated in the plans and specifications for the Hetch Hetchy dam now in course of preparation.

"I very seriously question the wisdom of furnishing at the present time data which is now being compiled on this project until the same is available to the general public. My reasons for this recommendation are as follows:

"**First:** The gentleman assigned by Mr. Holton to investigate the Hetch Hetchy project is

OP BOTHERING O'SHAUGHNESSY

ivic League Should Know That He Has Already Given His "Reasons"

/17.

Civic League has finally so pestered City ngineer O'Shaughnessy about the Hetch-Hetchy at he has invited representatives of that body to his office and look at them.

is what might be called a strategical retreat, new line to which he has fallen back is really fer than the trench which he has been occupying. t will be noted that he does not propose to give opy of any of the data, or permit a competent to go through the data and take copies of such as he desires He and the Board of Works rfect confidence in their ability to so manage a nce" as to send the conferees away perfectly and no wiser than before.

nly information of value is a copy of the desired ch a competent engineer can study at his leisurre. preferably, the engineer should be opposed to the oject, for if there is anything of importance an be discovered by even an enemy the people know it.

matter of fact, the responsible investigators are lents, paid by taxpayers to find the truth, what- s, and probably do not personally care a rap e outcome.

aughnessy is but an incident. It is accidental s just now in the lime light as representing the of the entire administration, which hates the of Research because it insists upon knowing erything and telling what it discovers. And anv which does that will have to fight for all the on it gets.

ughnessy has already given his reasons for refus- mation about the Hetch-Hetchy enterprise and e let alone His reasons, it will be remembered, That John D Rockefeller is a bad man, and the engineer employed to make the study was eated when he ran for office.

sequently appearing that John D Rockefeller the deal, and that O'Shaughnessy himself was when he ran for elective office, a supplementary en is that W B Holton is opposed to municipal n, as to which no evidence is given.

nd similar reasons are all that can be got, for istration will not confess that it fears to let the known. Continual quizzing is evidently worrying O'Shaughnessy and he should be let alone.

POLITICAL CAMOUFLAGE

ors Love Darkness Rather Than Light Because Their Deeds Are Evil

17.

AS expected, the Board of Supervisors, with dissenting votes of Hayden and Power only, give out any real information about the Hetch- sm.

formation is asked for by the authorized repre- of a large number of taxpayers, who are much to know whether the Hetch-Hetchy dam is 3,000,000 or $7,000,000, and whether the rprise is to cost $45,000,000 or $70,000,000. fe dam can be built for the estimated amount, ers of the city will be greatly relieved. We e relieved, because if competent and interested testify to the correctness of the estimates for a it will greatly help the sale of the city's bonds se the price which can be got for them.

so evident that all know that if the City eally had confidence in his own estimates he ip at the chance of throwing the data open to nd everybody and challenge them to find a estimates

s no attack on Hetch-Hetchy It has not been for investigation. Representatives of the tax- o are studying the entire city expenditure come rse to the Hetch-Hetchy work.

ave been hampered and hindered and vilified ep of the investigation, but when they reached Hetchy expenditures they were met not only ind vilification but by positive refusal to open

And the courts are to decide whether citizens ght to know what their servants are doing.

know that they are squandering money We when they "resolve" for the completion of the and the Civic Center they will continue to public money on unnecessary men and then here are no funds with which to make good ves

no reason for refusing to give proper account- public money except the fear of what such would disclose

government would refuse any information y reputable citizens except from fear of the s of exposure

ses which are behind the refusal to permit explicit bookkeeping are the elements which fit, as they profit now, by the system which darkness

l get no information except by fighting for it are now in the saddle love darkness rather ecause their deeds are evil.

Francisco Chronicle.

WE DEMAND THE FIGURES

The Issue in This Campaign Is Shall We Know Where Our Money Goes

10/18/17.

THE refusal of City Engineer O'Shaughnessy to show the Hetch-Hetchy data is merely an incident. It concerns, of course, the figures of our largest municipal enterprise, carried on at such a distance from the city that personal investigation is impossible, and it is, therefore, all the more necessary that all the figures should be available to everybody. But it is only illustrative of the general condition in which our servants assume to be our masters.

The spending departments of our municipal government fight any definite accounting tooth and nail and they are always sustained by a majority of the Supervisors, who expect, at least through their dependents and their political roustabouts, to profit by extravagance and waste.

And this will always be the case, so long as the people of this city refuse to elect any man of affairs to the Board of Supervisors. It is only men who know by experience how business should be run and what forms of accounting are necessary to prevent waste, and who, moreover, do not care a rap about being "elected" and, therefore, will not use public money to pay their roustabouts, who will ever let the people know what they get for their money if they can help it.

O'SHAUGHNESSY'S SALARIES

They Are Not an Issue, but Rather Shall the Servants Account to Their Masters

10/22/17.

IT is said that in addition to his salary from this city Engineer O'Shaughnessy draws down $200 a month from the Marin County Municipal Water District.

If that is illegal it is wrong, but if legal it is the City Engineer's good fortune. In either case, voters must not suffer their attention to be distracted from the main issue of this campaign, which is: "Shall the people be permitted to know what becomes of their money?" Never mind Mr. O'Shaughnessy's double salary until after election.

This is not a campaign against individuals except as they stand conspicuously as illustrative of a principle, which Mr O'Shaughnessy certainly does.

He refuses to permit duly authorized agents of a large body of taxpayers to have access to data which will enable all taxpayers to know whether the Hetch-Hetchy system is to cost $45,000,000 or $70,000,000

His refusal is in accord with the wish, and now of the positive instructions, of the superior municipal authorities.

There is no conceivable reason why this information should be withheld from the public except that those who think they can withhold it do not dare to face the consequences of letting the people know the truth.

Nobody has asserted that the cost of the Hetch-Hetchy dam will be in excess of the estimates. Nobody is attacking the Hetch-Hetchy enterprise.

All that is asked is that essential information to which the people are entitled shall be given to the people, and that which throws suspicion upon the enterprise is the refusal to let the facts be known.

WILL O'SHAUGHNESSY QUIT?

A Shocking Discovery Which That Official Says Disqualifies One

10/16/17.

IN HIS letter to the Mayor recommending that certain information about the Hetch-Hetchy enterprise should be refused to the Bureau of Research, supported by taxpayers, City Engineer O'Shaughnessy assigned for his recommendation two reasons and no more

The first reason was that John D Rockefeller was contributing to the support of the bureau.

As that statement turns out to be untrue, it, of course, does not count.

The second reason assigned was that Robert G. Dieck, the engineer who happens to be assigned to that particular study, was defeated when he ran for office in Portland, Oregon.

Now, it appears that this second reason of the City Engineer, unlike the first, is founded on fact. It seems, unhappily, to be true that Mr. Dieck, whose record of experience is equal to that of Mr. O'Shaughnessy, lost out when he ran for office in Portland.

And, according to the City Engineer, whoever has lost out when running for office is unfit to be allowed to meddle with the Hetch-Hetchy work at all.

But now comes the shocking discovery that Mr. O'Shaughnessy himself once ran for office in the little town of Mill Valley, where he lives and is, of course, best known, and was flatly turned down by the electors.

And that, according to Mr O'Shaughnessy himself, is absolutely a disqualification from having anything whatever to do with Hetch-Hetchy

It is, of course, obvious that if defeat in election disqualifies one from even being told anything about Hetch-Hetchy, far more does it disqualify for actually running the enterprise.

And now that this misfortune has been called to the attention of Mr. O'Shaughnessy, everybody is wondering whether he will quit.

One thing is certain. He will either have to quit or confess that his sole alleged objection to giving Mr Dieck the information asked for was not his real objection.

And if that is not the real objection, what is the real thing?

Apparently, it must be that he does not dare to give it.

WHERE OUR MONEY GOES

The Board of Works Ordered to Show Cause Why It Shall Not Tell

10/26/17.

THE Board of Works has been cited by the Superior Court to tell why it refuses to let representatives of the taxpayers know what is to become of their money.

The municipal authorities appear to claim that they are under no obligation to tell what is to become of the public money, but only what has become of it.

And that will not do, particularly when they insist on so keeping the accounts that nobody can find out what has been got for the money and how much of it has been wasted.

The public insists on knowing what is to become of the money in time to intervene to prevent intended waste, and that original entries be made in such form that the cost of any unit of expenditure can at any time be computed by anybody.

To both these propositions those who are running the city government absolutely refuse to consent.

And that is the issue of this campaign.

There are two members of the present Board of Supervisors whose terms are about to expire who stand for open dealing and strict accounting.

And for that reason they were refused renomination by the party which works in the dark. They are, of course, among the candidates favored by the Municipal Conference.

In the case of the Hetch-Hetchy data there are persistent rumors that they show affirmatively that there is grave doubt whether the Hetch-Hetchy dam can be constructed and made safe for anything like the estimates upon which the authorities are proceeding, and that without reference to any increased cost of labor and materials.

If that be true, it does not necessarily mean any abandonment of the project, but the people have a right to know just what they have to face And the creditors of the city, or at least those who may become creditors, will insist upon knowing before buying bonds.

The issue of the campaign is that of proper accounting for the expenditure of public money The Municipal Conference and its candidates are for it The city administration and its candidates are against it The issue is direct and fundamental. Electors who vote for the Municipal Conference ticket will vote for accounting and resulting economy Those who vote for the opposing ticket will vote for concealment and resulting waste.

Just as the campaign on this issue was beginning the necessity for open dealing was emphasized by the positive refusal to give the taxpayers essential data in respect to the Hetch-Hetchy enterprise. The refusal was on nonsensical grounds, obviously intended to conceal the real reasons.

Let us elect Supervisors who are pledged to conceal nothing. Business done in the open is likely to be honestly done. Those who contemplate dishonesty wish to work in the dark

TO FIGHT PUBLICITY

The Administration Bitterly Opposes Anything Like a Showdown

10/23/17.

THE administration will fight any exposure of what is shown by data collected on the Hetch-Hetchy enterprise, on the ground that such data does not become a public record until the work is completed

And then, if anything is wrong, it will be too late.

Let no one be deceived. Nobody is "attacking" Hetch-Hetchy It is not being singled out for investigation by anybody Representatives of the taxpayers are trying to get the facts of our entire city expenditure, and in due course reached the Hetch-Hetchy work, which is our largest municipal enterprise

They have been fought every step of their way They have already shown where immense savings could be made and thereby incurred the enmity of the entire administration.

Invariably, in such cases, when no defense is possible, those under suspicion try to put the investigators on trial. That is always a sign that defense on the merits is impossible. It is the course adopted now by the city administration, which is searching the law books to find some way to avoid exposure

To say that the data are "tentative" is an evasion. On the basis of that data, whatever it is, much work has already been done Other extensive contracts are ready to be let, and expenditure will go on as fast as bonds can be sold

Either there are positive data showing that the Hetch-Hetchy dam can be constructed and made safe for the estimates or there is not

If there are such data their publication would satisfy everybody and talk would stop

If there are not such data, then work should stop until they are found, for the dam is the key to the whole enterprise Much more should work stop if the "tentative" data show doubt

The "motives" of those seeking to know are of no consequence In fact, there are no motives except wish to know the facts, and, in particular whether sound rock foundation for the dam exists, and at what depth But assuming, which is untrue, that enmity or rivalry is the motive, citizens have the right to know whether a safe dam can be built for the estimates or not

Not anybody's motives, but the facts, are important And if the facts are reassuring why not give them

Mr. Robert G. Dieck, who was defeated in a recent election in Portland, Oregon, for the position of Commissioner of Public Works, and was subsequently employed by the San Francisco Bureau of Governmental Research. I have instituted inquiries as to Mr. Dieck's work with the City of Portland and quote from a letter received from A. L. Barbur, now Commissioner of Public Works in that city. Mr. Barbur says:

"'I have found the system of bureaus established by Mr. Holton and continued by Mr. Dieck during his four years as Commissioner of Public Works, as too elaborate for a city the size of Portland and soon after taking charge of the department made a reduction of 40% of the employees carried on the pay roll of this department, incidentally eliminating several bureau chiefs; and insofar as I can see we are carrying on the work as effectively as before with a pay roll reduction of over $4000 per month.'

"I do not consider it consistent with the dignity of the Bureau of Engineering of San Francisco to turn over for criticism to a man of Mr. Dieck's very limited experience in hydraulic problems all of the data now being compiled on the Hetch Hetchy project.

"**Second:** On the establishment of the Bureau of Governmental Research in San Francisco, on the representations of Mr. Holton that the purpose of the Bureau was to study public business, cooperate with officials and specifically work for economy and efficiency in municipal affairs, I gladly turned over to him all of the information at my disposal as to the various municipal work now being done in the City of San Francisco under my supervision. Mr. Holton thereupon, after a very cursory study, published statements regarding this bureau which were inaccurate and in several instances untrue. I do not believe that his previous attitude entitles him to any further special consideration.

"**Third:** The San Francisco Bureau of Governmental Research is a branch of the Bureau of Municipal Research of New York City, which bureau is partially financed by the Rockefeller Foundation.

"The general tendencies of the Rockefeller Foundation were very ably expounded in the United States Senate on February 8, 1917, by Senator Chamberlain of Oregon. Senator Chamberlain was protesting against the interference by the Rockefeller Foundation and the Carnegie Foundation with the educational facilities of the Government and their general interference in functions which belong exclusively to the Government. Mr. Chamberlain states:

"'I do not pretend to say what the purpose of these Foundations is. I have sometimes thought it was a desire for posthumous fame. We do know that the men who are connected with these great Foundations do not stand in the highest estimation of the present generation. . . The country knows what Mr. Rockefeller means by "A combination to do business." In the Standard Oil Company's dialect that phrase has meant to destroy all others engaged in the oil business and then do as you please with the oil market.'

"'Mr. President, I, for one am going to continue to protest against this practice and I shall do it in the face of the admission here in the Senate of the United States that these Foundations have done vast good. I realize—nobody else realizes better than I—that they extend their activites in certain directions where the Government is unwilling to extend its activities, but what I am objecting to is that they shall use their activities in connection with the Government, thereby giving the Government stamp of approval to things which the Standard Oil Company, or Mr. Rockefeller as the great type of the Standard Oil Company or Mr. Carnegie as the representative of the steel trust, wish to have done in an educational way in this country.'

"As you are well aware, Mr. Mayor, no institution founded by John D. Rockefeller can be expected to look with favor or impartiality on municipal ownership or any project connected therewith. You know of the overt attacks on the Hetch Hetchy System by 'unscrupulous malefactors of great wealth,' by power companies, by so-called nature lovers, by irrigationists, by com-

INVESTIGATOR STRIKES BACK AT ENGINEER

Research Bureau's Director Makes Sharp Reply to O'Shaughnessy

CORNWALL SUPPORTS HIM

Chairman of Tax Committee Flatly Denies Charges of City Official

Chronicle 10/10/17.

THE accusation of City Engineer O'Shaughnessy that Holton is directly or indirectly connected with the Rockefeller Foundation is an absolute untruth," said Bruce Cornwall, chairman of the San Francisco Tax Committee yesterday.

"When the Bureau of Municipal Research of New York made the survey of the city's properties Holton was a member of that bureau. When the city of San Francisco decided that it should have a research bureau of its own the San Francisco Tax Committee decided that Holton would make an excellent head for that office.

"There is no more sense in the statement of the City Engineer that Holton is still in the employ of the Rockefeller interests than there would be in accusing all men who have left one position for another of still working for the old firm. Holton was the man for the office, and we employed him.

"TALKING TO THE WIND"

"As for Mr O'Shaughnessy's accusation that Mr Holton is opposed to municipal ownership, he is talking to the wind and has no ground on which to base his statement. The mere fact that the City Engineer is placing obstacles in the way of letting the true facts of the Hetch Hetchey project come to the public notice should cause every sensible man to become suspicious of his motives. We intend to get at the bottom of this matter and let the tax payers of San Francisco know all about the million that has been spent already on the water works and why the Bureau of Research whose duties are to find out about just such matters should be refused the right of looking over the records and data. If one will read the foreword of the survey report which Mr O'Shaughnessy quotes they will read how and why the research bureau was organized, how it is supported and the reason of its existence. Until the City Engineer made his childish statement no one questioned the value of the bureau and after this has been threshed out every one will see that the bureau has done a big service to the city of San Francisco."

HOLTON'S STATEMENT

Winfred B Holton Jr director of the Municipal Bureau of Research said:

"The City Engineer has made a lot of wild statements about me. But when he says that from my past utterances I show that I am opposed to municipal ownership he says what is untrue. I never made a statement for publication which can be construed in that way. I believe that the people should get the best for the least money, no matter if it be through municipal ownership or through private ownership. He also says that my request for permission to look over the records of the Hetch Hetchy work I was out of order and I wanted special privileges. The records of all city offices are open to the inspection of any taxpayer at any time according to the city charter. I did not go in a bull headed way and demand that I be allowed to look into the matter but went before the Board of Public Works and asked permission. Let me quote the minutes of the meeting where I told the Board that I was having difficulty in getting access to the books and data.

QUOTES MINUTES

"We asked the Chief Engineer for a permit; we asked him for permission to examine the records of the Hetch Hetchy work and to inspect the work in progress. O'Shaughnessy referred me to the Board of Public Works. To make my point clear while I am here I will say this, that the San Francisco Bureau of Governmental Research is asking no favors, we want no favors nor any special privileges, that I must insist upon being clearly understood at this time. Neither do we object nor have we objected at any time to what we have considered to be a reasonable provision on the part of the Board of Works and the Department of Engineering that an application to visit this work be reviewed and an understanding had in advance as to what was intended to be done. We certainly have had no objection to this provision. Now if there is any thought in that statement (pointing to the letter of application) either by direct statement or by implication which asks for the granting of special privilege I now formally desire to withdraw that part of the application.

"Mr Judell: We understand you perfectly.

NO SPECIAL PRIVILEGE

"There is the verbatim record of my request before the Board. I specifically made myself understood at the time that I wanted all of the members to know that I didn't want any special privilege, and the chairman said that he understood me perfectly. After waiting since September for a decision and receiving no reply from the Board I went ahead with the result you know. There is a nigger in the woodpile but public sentiment will smoke him out. The mere fact that a city official refuses to let the public know how he is spending their money should make every man demand the knowledge.

"Here is a copy of the letter I wrote to Mr O'Shaughnessy October 2, 1917, requesting information about the work:

"Mr M M O'Shaughnessy, Chief Engineer of the Bureau of Engineering Department of Public Works, City Hall San Francisco, Cal.

"I am informed by Mr Dunbar that the examination of the Hetch Hetchy work has reached the stage where it would be desirable to have access to certain of the detailed engineering data and am writing you this letter in order that you may be apprised when it will be possible and convenient to you to allow an examination of these. Specifically it is desired to have access to the following information:

"1 Detailed estimates of the cost of the more important structures—the dam at Hetch Hetchy, the tunnels and the pipe line across the San Joaquin valley.

"2 Diamond drill and other borings at the dam site with a plat showing their precise location, and a contour map of the dam site.

"3 Diamond drill borings along the tunnel lines.

"4 The proposed section of the dam at Hetch Hetchy with the information as to the assumptions made in the design.

"We would appreciate very much a collection of this data at your earliest convenience and advice as to when they will be available.

"Very truly yours,

"WINFRED B HOLTON, Director

"Now, is there anything in that request which should cause a man to refuse the information unless there was something out there that he did not want us to find out? There is something rotten out at Hetch-Hetchy, and we intend to know what it is."

SUPERVISORS WILL ASK TO HEAR HOLTON'S SIDE

The Board of Supervisors will invite W B Holton director of the San Francisco Bureau of Governmental Research to present his side of the controversy with City Engineer M M O'Shaughnessy over the investigation of work on the Hetch Hetchy aqueduct project, before the Utilities Committee of the Board, at 3 o'clock this afternoon.

Supervisor Edward J Brandon yesterday introduced a resolution in the Board meeting to concur in the stand taken by O'Shaughnessy toward the Bureau of Research refusing to grant a special permit to Holton to visit Hetch Hetchy and receive data on the work. Supervisor James I Power opposed adoption of the resolution and Supervisor Andrew J Gallagher declined to vote until further information was before the Board. The resolution was referred to the Utilities Committee.

Holton Caustically Denies City Engineer's Statements

Taxpayers Have Right to Investigate Hetch-Hetchy Conditions, Says S. F Bureau of Research Director

WINFRED B HOLTON JR., director of the Bureau of Governmental Research, yesterday made answer to City Engineer O'Shaughnessy's comments on the Bureau when he declined to give Holton access to data on the work done in Hetch Hetchy. Holton's statement follows. Chronicle 10/10/17.

Chief Engineer O'Shaughnessy is evidently suffering from political paranoia. He has been giving evidences of an uncontrollable temper for the last six weeks, but what has led him to make such absurd misstatements as those in his letter to the Mayor regarding our request to examine certain of the engineering data on the Hetch-Hetchy work is beyond my comprehension. O'Shaughnessy knows that we have merely asked to see certain public records and we have asked it in a courteous, business like manner. Our only reply has been the libelous misstatements in his letter to the Mayor. His attitude as portrayed in his letter to the Mayor, the arrogant egotism and uncontrolled anger which he has displayed at the various interviews, are insufferable in a democracy. They are equaled only by the intolerance of a Prussian autocrat. What O'Shaughnessy is attempting to conceal by denying a taxpayers organization access to public records is a question which may be answered when the truth is known.

LECTURES CRITICISED

For the last month O'Shaughnessy has been addressing various civic organizations on the progress of the Hetch Hetchy work—ostensibly giving to the public all of the information about Hetch-Hetchy and inviting further questions as to the conduct of the work. The record of the proceedings shows that the citizen questioners were unable to elicit the definite information which they desired. It is a mistake for Mr O'Shaughnessy to assume that the public cannot understand engineering details or is interested only in such facts as he may choose to give them.

The San Francisco bureau of governmental research is supported by San Francisco taxpayers solely. It has never received one cent from John D Rockefeller or the Rockefeller foundation. Our books are open for examination at any time.

There is no connection whatsoever between the San Francisco bureau of governmental research and the New York bureau of municipal research, the Rockefeller foundation or the Carnegie foundation.

DATA NOW ON HAND

The data asked for is now available in the files of the Bureau of Engineering. Much of it is so called basic data, which has been prepared for some time.

The San Francisco bureau of governmental research has not asked, and never will ask, for any "special favors" of the bureau of engineering or the department of public works. (See record of proceedings before the Board of Public Works in re application to examine the Hetch Hetchy works, September 21, 1917.)

Every citizen and taxpayer by the charter is given the right to review public records. (See section 6 chapter 1 article 6, section 13 article 16.)

The city has been rife with comment about the Hetch Hetchy work. Much of this comment has been in the nature of most unfavorable criticism of the way the work has been handled. We have had no other desire than to disprove or prove the truth of these statements as the case may be, and present the facts in the situation to the public who have thus far been overwhelmed in a mass of superficial comment. Not a week has gone by since the establishment of this bureau in January 1917 that some one has not come to my office with a statement about the way the Hetch-Hetchy work was being carried on. Many of the men who have laid information before us were and are in many instances employed on the work.

EXAMINATION PREVENTED

The press of other work prevented the bureau from undertaking an examination of Hetch Hetchy until September. The first official with whom the proposed study was discussed was Chief Engineer O'Shaughnessy. From that day to this there has been a steady attempt on the part of the bureau of engineering to prevent access to the records of the work and to the work. Mr O'Shaughnessy has time and time again rushed into a state of anger incompatible with his position as chief engineer at the thought of any one attempting to examine what he has called his work.

Every organization in the city, labor union, Supervisors, civic organizations, newspapers, bankers, which has had the temerity to take any interest in the Hetch Hetchy work along the lines of investigation and report has been without exception vilified by the chief engineer in the most surprising fits of anger. Every impediment has been placed in the way of the Hetch Hetchy study which this bureau is making. Nevertheless the work is going on and will continue to go on. If the Hetch Hetchy project is being poorly administered the citizens are entitled to know it and if we can discover the facts, these facts shall be given to the public. It is not right that the Hetch Hetchy project be carried on in the dark. It is not right that only the points of superficial appeal be presented to the public. We maintain that the public is entitled to the real facts and all of the facts.

FORMALITIES AGREED TO

We have raised no objections to the reasonable formalities required by the Board of Public Works. We would not raise any objections to stating our reasons for wanting to see any engineering data. In fact, in this case we feel it necessary to state why the diamond drill boring records have been requested.

It is alleged by those who should be in a position to know that the borings for bedrock at the dam site have far exceeded in depth any of the original estimates.

If the city engineers have been unable to discover bottom—suitable rock bottom at the dam site, the public is entitled to know it. If the dam is going to cost $10,000,000 instead of $4,000,000 the public certainly could not be accused of unwarranted curiosity in asking why the city engineers made such a costly blunder.

THE CITY EXPENDITURES

Refusal to Give Details Indicates That There Is Something to Conceal

Chronicle 10/10/17.

THE taxpayers of this city have long been convinced that their hard-earned money was being largely squandered by the city authorities for the benefit of themselves or their hangers-on. They have, therefore, united in establishing a Bureau of Municipal Research, whose sole object is to ascertain precisely where the public money goes to and whether adequate return is given for it.

As the bureau is studying all expenditures of the city it, of course, considers those of our Hetch-Hetchy enterprise. In the course of its business, the bureau asked for some unpublished engineering or other details of the Hetch-Hetchy work. The bureau is not attacking the enterprise. It is not singling it out for investigation. It is merely including that undertaking in its general study of municipal expenditures.

But now comes the City Engineer and recommends to the Mayor that the information asked for be refused.

Obviously, in the absence of explanation, everybody will assume that the refusal is due to the fear of the exposure of some rottenness. Apparently there could be no other reason.

Possibly, suspecting that the public would put such an interpretation upon the refusal, the reasons for it are assigned as follows:

1 John D. Rockefeller is a bad man.

2 The person employed by the bureau upon this particular branch of its inquiry was once defeated in Portland, Oregon, when running for office.

No other reasons are assigned, so that apparently there are no other reasons. Whether such reasons are better than none the public must judge.

One cannot but reflect, however, that it is highly improbable that John D Rockefeller ever heard of our Bureau of Research, or cares a rap about what it discovers, unless, possibly, he might think of buying some of our bonds, not now selling very well. And it is also true that lots of good people lose out when running for office. In fact, there are cities in which the election of good men is rather the exception than the rule. Portland, Oregon, may be one of them.

And it is also best to remember that it is not John D. Rockefeller or the recently defeated Portland candidate who wants to know how our city money is expended. The inquiry is made by the taxpayers of this city. And the information is refused.

The City Engineer intimates that the investigators would like to discover some rottenness. It is much more probable that our taxpayers would much prefer to find out that they are being honestly served.

And the best protection of one unjustly suspected is the complete disclosure of the truth. That is the method instinctively sought by the honest official.

And, at any rate, we fail to see what the desire or expectation of the investigators has to do with the matter. The people are entitled to know what is done with their money.

ENGINEER CITES HOLTON REPORT

O'Shaughnessy Says Research Bureau Director Is Hostile to Municipal Ownership.

Examiner 10/10/17.

In reply to the statement made by Director Winfred H Holton of the local Bureau of Governmental Research that the Rockefeller Foundation has no connection with the local bureau, of which he is the head, City Engineer M. M. O'Shaughnessy has cited a copy of the report of the survey of the government of the City and County of San Francisco, said to have been written by Holton and his assistants. The first page of this report contains the statement:

"Prepared for the San Francisco Real Estate Board by the Bureau of Municipal Research, New York."

The foreword to the report contains the statement:

"The Bureau of Municipal Research of New York City was employed forthwith to make the survey. Following this was begun a campaign for subscriptions to meet the cost thereof."

"The San Francisco Bureau of Governmental Research and its director may have severed connection with the New York Bureau," said O'Shaughnessy, "but my criticism of Mr Holton is for the work he did in San Francisco while in the employ of the New York Bureau. I have seen no reports that he has written in his latter capacity, except a few post cards.

"His report on the government of the City and County of San Francisco contains 681 pages and it is on this work that my judgment of his hostile attitude to municipal ownership is based."

Holton yesterday issued another statement in which he explained the reasons of the research bureau for seeking data on the Hetch Hetchy work. The statement severely criticised O'Shaughnessy, whom Holton said was suffering from "political paranoia."

The statement continued:

"The city has been rife with comment about the Hetch Hetchy work. Much of this comment has been in the nature of most unfavorable criticism of the way the work has been handled. We have no other desire than to disprove or prove the truth of these statements, as the case may be and present the facts in the situation to the public, who have thus far been overwhelmed in a mass of superficial comment.

"Not a week has gone by since the establishment of this bureau, in January, 1917, that some one has not come to my office with a statement about the way the Hetch Hetchy work was being carried on. Many of the men who have laid information before us were and are in many instances employed on the work. * * *

"It is not right that the Hetch Hetchy project should be carried on in the dark. It is not right that only the points of superficial appeal be presented to the public. We maintain that the public is entitled to the real facts and all of the facts."

peting water companies and by other interests opposed to this great project.

"It is therefore my recommendation that the request of the Director of the San Francisco Bureau of Governmental Research be refused and that he and his assistants be accorded only the same courtesies as are shown to every other citizen of San Francisco.

"Respectfully,

"M. M. O'SHAUGHNESSY,
"City Engineer."

Mr. O'Shaughnessy's Letter Analyzed:

In the following analysis of Mr. O'Shaughnessy's letter to Mayor Rolph no attempt will be made to discuss the merits of the various contentions set forth by the Chief Engineer. The discussion will be confined exclusively to a categorical answer to the various sim-statements and ambiguities contained therein.

1. The results of the diamond drill borings along the tunnel aqueduct Mr. Holton can secure by taking out a copy of our specifications for the mountain Division of the Hetch Hetchy Aqueduct which contains all available information on the subject.	1. What Mr. O'Shaughnessy should have said was that Mr. Holton can secure the results of diamond drill borings along the Mountain Division of Hetch Hetchy but that this division does not constitute more than 20% of the total contemplated tunnel construction.
2. The results of the diamond drill borings at Hetch Hetchy dam site will be incorporated in the plans and specifications for the Hetch Hetchy dam now in course of preparation.	2. Diamond drill borings are complete whenever the drill is stopped. The log of the boring to that point constitutes a complete descriptive record of the nature of the ground pierced to that point. These records cannot be changed or altered by any amount of engineering calculation. They represent a natural

condition which forms one of the factors in the problem and are preliminary to the completion of design and specifications for the dam. Whatever diamond drill records that have been taken are therefore complete in themselves.

3. I very seriously question the wisdom of furnishing at the present time data which is now being compiled on this project until the same is available to the general public.

3. **The general public has never been adequately informed as to what is being done at Hetch Hetchy.** The Freeman report was issued prior to the commencement of work on the project and is largely confined to estimates of the probable cost and of outlines of the engineering features of the proposed project. The general features of the report were technical and could not be appreciated by the layman. Conflicting statements and estimates in regard to Hetch Hetchy have never been reconciled. The annual reports of the city engineer respecting work on the project contain only the most general summation of what has been accomplished. Thus in the year 1914-15, report of the entire Hetch Hetchy work is disposed of in 9 pages. Sixteen items such as Preliminary Surveys and Topography, Roads and Trails constructed, Camps, Telephones, etc., are included.

Obviously this has only the slightest value and is worthless from an engineering standpoint. Furthermore, no printed report has been issued by the Board of Works or the Bureau of Engineering since the 1914-15 report.

4. The gentlemen assigned by Mr. Holton to investigate the Hetch Hetchy project is Mr. Robert G. Dieck, who was defeated in a recent election in Portland, Oregon, for the position of Commissioner of Public Works and was subsequently employed by the San Francisco Bureau of Governmental Research. I do not consider it consistent with the dignity of the Bureau of Engineering of San Francisco to turn over for criticism to a man of Mr. Dieck's very limited experience in hydraulic problems all of the data now being compiled on the Hetch Hetchy project.

4. In discussing this point before the Public Utilities Committee as given on page 15 of the official record Mr. Holton said: "Gentlemen, there is no use discussing that proposition. Mr. Dieck is a man of sterling worth, he has an enviable professional reputation. I think it was a little unethical to raise a point of that sort. He is President of the Oregon Chapter of the American Society of Civil Engineers."

5. On the establishment of the Bureau of Governmental Research in San Francisco, on the representations of Mr. Holton that the purpose of the Bureau was to study public business, co-operate with officials and specifically work for economy and efficiency in munici-

5. **This statement does not conform to the facts. Mr. O'Shaughnessy is evidently confusing two entirely separate things.** Several months prior to the organization even of the San Francisco Bureau of Governmental Research, Mr. Holton was introduced to Mr.

pal affairs, I gladly turned over to him all of the information at my disposal as to the various municipal work now being done in the City of San Francisco under my supervision.

O'Shaughnessy. This was during the course of the survey made for the Real Estate Board. Since that time Mr. Holton had had no interview or conversation with Mr. O'Shaughnessy respecting any phase of the work of the Bureau of Engineering until he called on Mr. O'Shaughnessy relative to inaugurating the study of Hetch Hetchy.

6. Mr. Holton thereupon, after a very cursory study, published statements regarding the bureau which were inaccurate, and in several instances untrue. I do not believe that his previous attitude entitles him to any further special consideration

6. **This is a question of Mr. O'Shaughnessy's opinion, and is not concerned with the point at issue.** Mr. O'Shaughnessy refers here to the criticism made by Mr. Holton in the Survey report in regard to the method of apportioning assessments on the Beale street, Stockton street and Twin Peaks projects. In speaking to this point before the Public Utilities Committee hearing on the Brandon resolution, Mr. Holton said: "The report states without rancor and without heat, that the apportionment did not have sound equities, that it was not in substantial accordance with what would be an interpretation of a general benefit clause. Mr. O'Shaughnessy has raised that point time after time. I have offered to discuss it with him anywhere and at all times. The state-

ment in the report stands, and is backed up just as much and as often as required.

"Mr. O'Shaughnessy agrees that as to the Stockton and Beale street projects, the apportionment plans were not good, but says that the Twin Peaks tunnel plan was 100% right, and there we are forced to take an opposite view."

7. The San Francisco Bureau of Governmental Research is a branch of the Bureau of Municipal Research of New York City, which bureau is partially financed by the Rockefeller Foundation.

7. **This statement is a complete fabrication.** There is no connection whatever between the two organizations. The San Francisco Bureau of Governmental Research is supported exclusively and entirely by local subscriptions and does not receive one cent of money from the Rockefeller Foundation, the Carnegie Foundation or any similar or allied organization.

The facts are these: In 1916 the San Francisco Real Estate Board engaged the New York Bureau of Municipal Research to make a survey of the city government similar to those made for some 150 other cities throughout the U. S. and Canada. As a result of the survey, the San Francisco Bureau of Governmental Research was formed and Mr. Holton, who had been a member

of the survey staff, was engaged as Director.

8. As you are well aware, Mr. Mayor, no institution founded by John D. Rockefeller can be expected to look with favor or impartiality on municipal ownership, or any other project connected therewith.

8. **As stated above, the San Francisco Bureau of Governmental Research has no association or connection whatsoever with John D. Rockefeller.** The attitude of Mr. Rockefeller or the Rockefeller Foundation has nothing to do with Hetch Hetchy and nothing to do with the San Francisco Bureau of Governmental Research's request for information thereon.

9. It is therefore my recommendation that the request of the Director of the San Francisco Bureau of Governmental Research be refused, and that he and his associates be accorded only the same courtesies as are shown to every other citizen of San Francisco.

9. Speaking of this statement, Mr. Holton said: "There again is a subtle implication. There is the implication that we have asked for a special privilege. I do not see how it would have been possible for me to have explained more clearly not only that we did not want a special privilege, but that we would not accept a special privilege."

If the courtesies which have thus far been accorded to the San Francisco Bureau of Governmental Research are the extent of the existing legal rights of citizens and taxpayers in the matter of knowing what is being done with their money, there is need for drastic revision of the charter in order that the desire of

the people for full publicity may not be stultified by ambiguous provisions in law. The Bureau is not convinced, however, that the interpretation of the charter prescribed rights of citizens as now advanced by the city officials is the proper one. It was to secure a legal interpretation of these rights that the present controversy has been submitted to the courts for adjudication.

The Brandon Resolution:

The day after Mr. O'Shaughnessy's letter was published Supervisor Brandon introduced the following resolution in the regular meeting of the Board of Supervisors:

> "Whereas, A request has been made to the City Engineer by the Director of the San Francisco Bureau of Governmental Research for estimates of cost of various units of the Hetch Hetchy project; also for a drawing of the proposed section of the Hetch Hetchy dam with information as to the assumptions made in its design; and for other engineering data on said project with a view of passing on the merits thereof; and
>
> "Whereas, The City Engineer has referred the said request to the Mayor and Board of Supervisors with a recommendation that it be refused; and
>
> "Whereas, The Board of Supervisors recognizes the ability of the City Engineer as displayed in the construction of the Municipal Railways, the Boulevard Systems, the Twin Peaks and Stockton Street tunnels and the development of the Hetch Hetchy project; while the motives and ability of some of the officials of the San Francisco Bureau of Governmental Research are at least questionable; now, therefore, be it

O'SHAUGHNESSY SCORED FOR REFUSING HETCHY DATA

SAYS BUREAU OF RESEARCH NO AGENT OF JOHN D.

Call 10/9/17.

Engineer O'Shaughnessy's refusal to take a stand on the disposal of the bureau of municipal research data regarding the Hetch Hetchy work to date brought forth an extended and casual reply from Winfred B. Hilton, the director of the bureau. The city engineer in a letter to Mayor James Rolph Jr. questioned the wisdom of handing over the data which is now being compiled for a high report. He questioned the advisability of it, first, detailed by the bureau being made public before the bureau is being practically financed by the Rockefeller Foundation.

Hilton's reply follows in full:

Chief Engineer O'Shaughnessy is evidently suffering from political paranoia. He has been giving out the impression that he has been waiting for the last six weeks, but what has led him to make such a bitter attitude as follows in his letter to the mayor regarding our request to examine certain of the engineering data on the Hetch Hetchy work is a mystery. Nothing unusual happened to my knowledge that we have merely been waiting for certain information and we have asked it in a courteous, business-like manner. Our only reply has been the igoble insinuations made in his letter to the mayor. His attitude as portrayed in his letter to the mayor the arrogant egotism and uncontrolled anger which he has displayed at the various interviews, are insufferable in a democracy. They are equaled only by the indifference of a Prussian bureaucrat. What O'Shaughnessy is attempting to conceal by denying a taxpayers' organization access to public records is a question which may be answered when the truth is known.

LECTURING FOR MONTH

For the last month O'Shaughnessy has been addressing letters to organizations on the progress of the Hetch Hetchy work, unanimously giving to the public all of the information about Hetch Hetchy and inviting further questions as to the conduct of the work. The record of the proceedings shows that the citizen questioners were unable to elicit the definite information which they desired. It is a mistake for Mr. O'Shaughnessy to assume that the public can not understand engineering details or be interested only in such facts as he may choose to give them.

The San Francisco bureau of governmental research is supported by San Francisco taxpayers and it has never received one cent from John D. Rockefeller or the Rockefeller foundation. Our books are open for examination at any time.

There is no connection whatsoever between the San Francisco bureau of governmental research and the New York bureau of municipal research, the Rockefeller Foundation or the Carnegie Foundation.

The data asked for is now available in the files of the bureau of engineering. Much of it is so called back data which has been prepared for a long time.

The San Francisco bureau of governmental research has not asked and never will ask for any special favors of the bureau of engineering or the department of public works. Our record of proceedings before the Board of Public Works in its application to examine the Hetch Hetchy works December 1, 1913, shows:

Every citizen and taxpayer by the charter is given the right to review public records. (See section 8, chapter 1, article 2, section 13, article 1.)

COMPLAINT UNFAVORABLE

The city has been rife with comment about the Hetch Hetchy work. Much of this comment has been in the nature of most unfavorable criticism. Our work has not been so. We have had neither desire nor intention to deceive the public. We have not been the cause of the expense of the trips that have overwhelmed to a state of superfluity. Nothing for a week has gone by since the establishment of the bureau in January, 1913, that some one has not come in my office with a statement about the way the Hetch Hetchy work was being carried on. Many of the men who have left Hetchy before we were and are in many instances, employed in the work.

The press of other work presented the bureau from undertaking an investigation of Hetch Hetchy until September. The first official with whom the bureau of research discussed was Chief Engineer O'Shaughnessy. From that day to this there has been a steady attempt on the part of the bureau of engineering to prevent access to the records of the work and to the work. Mr. O'Shaughnessy has time and time again rushed into a state of anger incompatible with his position as chief engineer at the thought of any one attempting to examine what he has called "his work."

Every organization in the city—labor unions, businessmen, civic organizations, newspapers, bankers—which has had the bureau of research examine its Hetch Hetchy work and the bureau's report and report has been, without exception, uttered by the chief engineer in the most surprising fits of anger. Every impediment has been placed in the way of the Hetch Hetchy study which this bureau is making. Nevertheless the work is being done and will continue to go on. If the Hetch Hetchy project is being poorly administered the citizens are entitled to know it and if we can discover the facts, these facts shall be given to the public. It is not right that the Hetch Hetchy project be carried on in the dark. It is not right that only the parts of a beautiful appeal be presented to the public. The bureau of research is entitled to the real facts and all of the facts.

There is no connection whatsoever between the San Francisco bureau of governmental research and the New York bureau of municipal research, the Rockefeller Foundation or the Carnegie Foundation.

The data asked for is now available in the files of the bureau of engineering. Much of it is so called back data which has been prepared for a long time.

The San Francisco bureau of governmental research has not asked and never will ask for any special favors of the bureau of engineering or the department of public works. (See record of proceedings before the Board of Public Works in its application to examine the Hetch Hetchy works December 1, 1913.)

Every citizen and taxpayer by the charter is given the right to review public records. (See section 8, chapter 1, article 2, section 13, article 1.)

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O'SHAUGHNESSY DENOUNCED IN HETCHY FIGHT

Continued From Preceding Page

NO OBJECTION TO FORMALITIES

We have raised no objections to the reasonable formalities required by the Board of Public Works. We would not relax any objections to stating our reasons for wanting to see any engineering data. In fact in this case we felt it necessary to take why the disposition of hetchy records have been requested.

It is alleged by those who should be in a position to know that the beginings for bad work at the dam give have for a month in depth any of the original estimates.

If the city engineers have been unable to discover bottom suitable rock bottom at the dam site the public is entitled to know it. If the dam is going to cost [illegible] instead of $[illegible] the public generally could not be accused of unnecessary curiosity in asking why the city engineers made such a costly blunder.

ENGINEER DEFENDS HIS HETCHY STAND

Call 10/9/17.

W. M. O'Shaughnessy, city engineer, today revealed his opinion of the bureau of governmental research in the following statement:

In reference to the published statements of W. B. Hilton, Jr. director of the San Francisco Bureau of Governmental Research to the effect that there is no connection whatsoever between the San Francisco Bureau of Government Research and the New York Bureau of Municipal Research, I would refer to a copy of the full report on the survey of the government of the city and county of San Francisco, written by Hilton and his assistants. The final page of this report contains the statement:

Prepared for the San Francisco Real Estate Board by the Bureau of Municipal Research, New York.

The foreword to the report contains the statement:

The Bureau of Municipal Research of New York City was employed forthwith to make the survey. Following this was begun a campaign for subscriptions to meet the cost thereof.

The San Francisco Bureau of Governmental Research and its director may have several connections with the New York bureau, but my critism of Mr. Hilton is for the work he did in San Francisco while in the employ of the New York bureau. I have seen no report that he has written to his other capacity except a few postcards.

His report on the government of the city and county of San Francisco contains 411 pages and it is on this work that my judgment of his hostile attitude to municipal ownership is based.

EXPERT DISPUTES ENGINEER

Bulletin 10/17/17.

Expressing belief that City Engineer M. M. O'Shaughnessy is suffering from political paranoia, Winfred B. Hilton Jr. director of the San Francisco Bureau of Governmental Research, whose request for permission to investigate the Hetch Hetchy construction work was refused yesterday by the city engineer, could not be expected to consult public records in a statement today.

"An engineer who refused to furnish Hetchy with certain estimates made by his chief engineer, O'Shaughnessy, is a lunatic," Mayor Rolph O'Shaughnessy expressed the opinion that it was for the best interests of the city that Hetchy's request be denied.

"Charges that the city engineer has been giving evidences of serious, irritable temper which led him to make absurd misstatements in his letter to the Mayor" Hilton said. "Hilton's reply

STATEMENTS ABSURD

Chief Engineer O'Shaughnessy is evidently suffering from political paranoia. He has been giving evidences of an uncontrollable temper for the last six weeks but what has led him to make such absurd misstatements as those in his letter to the Mayor regarding our request to examine certain of the engineering data on the Hetch-Hetchy work is beyond my comprehension. I thought nessy knows that we have merely been waiting for certain data and we have asked it in a courteous business-like manner. Our only reply has been the igoble misstatements in his letter to the Mayor. His attitude as portrayed in his letter to the Mayor the arrogant egotism and uncontrolled anger which he has displayed at the various interviews are insufferable in a democracy. They are equaled only by the indifference of a Prussian bureaucrat. What O'Shaughnessy is attempting to conceal by denying a taxpayers' organization access to public records is a question which may be answered when the truth is known.

LECTURING FOR MONTH

For the last month O'Shaughnessy has been addressing letters to organizations on the progress of the Hetch Hetchy work unanimously giving to the public all of the information about Hetch Hetchy and inviting further questions as to the conduct of the work. The record of the proceedings shows that the citizen questioners were unable to elicit the definite information which they desired. It is a mistake for Mr. O'Shaughnessy to assume that the public can not understand engineering details or be interested only in such facts as he may choose to give them.

The San Francisco bureau of governmental research is supported by San Francisco taxpayers and it has never received one cent from John D. Rockefeller or the Rockefeller foundation. Our books are open for examination at any time.

There is no connection whatsoever between the San Francisco Bureau of Governmental Research and the New York Bureau of Municipal Research, the Rockefeller Foundation or the Carnegie Foundation.

DATA IS AVAILABLE

The data asked for are now available in the files of the bureau of engineering. Much of it is so called back data, which has been prepared for a long time.

The San Francisco Bureau of Governmental Research has not asked and will never ask for any special favors of the Bureau of Engineering or the Department of Public Works. (See record of proceedings before the Board of Public Works in its application to examine the Hetch Hetchy works December 1, 1913.)

Every citizen and taxpayer by the charter is given the right to review public records. (See Sec 8 Chap 1 Art 2 Sec 13 Art 1.)

The city has been rife with comment about the Hetch Hetchy work. Much of this comment has been in the nature of most unfavorable criticism of the way the work has been handled. We have had no other desire than to improve upon the truth of these statements as the case may be, and to relieve the city from the publication of the public who have thus for been overwhelmed in a mass of superfluous comment.

O'SHAUGHNESSY'S WRATH VENTED AGAINST HOLTON

City Engineer Defies Right of Research Director to Get Hetch-Hetchy Data

UPHELD BY COMMITTEE

Court Action Will Be Taken if Necessary to Get Facts, Bureau Head Says

Chronicle 10/11/17.

Vigorously raising Winfred B. Hilton, director of the San Francisco Bureau of Governmental Research, from his request to investigate the Hetch Hetchy data in the city Engineers office, Chief Public Utilities Committee Engineer O'Shaughnessy in favor of the Brandenstein resolution supporting city Engineer O'Shaughnessy and Mayor Rolph in their refusal of Holton's application.

Before the vote was taken the committee listened to O'Shaughnessy's statement of his reasons for refusing to provide one of his office to the Public Utilities Committee. Mayor Rolph, who advised continued support of the city Engineer, in Supervisors said, in good spirit, kick into the traces, and let Mr. Hilton of the Bureau of Governmental Research.

LEGAL STEPS THREATENED

Holton afterward threatened to take legal proceedings to secure the data he desired, but he broke from O'Shaughnessy but refused to make public at that time the particulars in which he regards the Hetch-Hetchy data of considerable defective, other than to say that things had been held back, him anxious to continue to investigate.

O'Shaughnessy told the committee that when he took office, in 1912, he had notice the Chamber of Commerce that he would not permit public bodies to interfere with municipal undertakings, and stated that since he where emissaries of water and power companies had sought to obtain from his office reports regarding Hetch Hetchy, and had been turned down.

I defy the conspirators sitting behind the San Francisco Bureau of Governmental Research, the City Engineer said, and I intend to continue to give all facts of the water department the same treatment."

HOLTON FINDS ANTAGONISM

At the opening of the discussion after the correspondence had been read by the clerk, Holton was given the floor and began by saying that he had encountered a feeling of antagonism on the part of City Engineer O'Shaughnessy to every point raised by the Bureau.

"The bureau," he said, "is independent of every organization, faction or creed. It has no connection with any faction, and it is a fact, I believe, that the information we seek

"The man who wants to hide something from investigation, fishes a misunderstanding.

Supervisor Brandenstein asked Holton if he could guarantee that the information he sought, if given, would not be battle of controversy.

CRITICISM BESIDE POINT

"Any other criticism and that of the Bureau of Research, I can build. We are the investors in the power companies are entitled to the Hetch Hetchy data," he said.

Supervisor Mahoney asked Holton if he did not intend to use the Hetchy engineers notice to refuse his request, and Holton said he would, if he felt it was wise.

"Have you ever taken a stand on any question?" Mahoney asked. "Have you ever taken a stand on any question which was beside the point?"

"Attacks made by such men nearly killed my predecessor," said O'Shaughnessy. "When I took this position the then city engineer, Manson, was in a state of the result of the fights he had been through. I have no objection, if there is any doubt about the work I am doing to having it reviewed by engineers of high standing. I am sure that it will certainly do most seriously subject to allowing every Tom, Dick and Harry entry into my data in course of preparation, and that they would criticize and interfere with the progress of the work."

ROLPH BACKS HIM.

Mayor Rolph said that he appeared to sustain Hilton's application. "O'Shaughnessy, the first thing you supervisors know, we will lose the services of Mr. O'Shaughnessy," he concluded the Mayor. "If he is to be hampered and tied up by the investigations of people who get people to subscribe funds to pay for the work he is looking for another engineer.

"These gentlemen are entitled to no more our time than a private citizen. We would not allowed the ordinary individual to go through the working plans and details of our proposed work. There are contracts to be let and millions of dollars pending upon the data that these gentlemen ask to examine."

The committee unanimously passed the resolution providing that the city municipal research the right to any information that is published in the annual reports or are open to the general inspection of the public.

MAY GO TO COURT.

Holton intimated that court action would be necessary to get the information sought. He said:

"The charter provides that any citizen may inspect all books and all records of the city, which shall be open to any citizen, and that during business hours. When the public business is the public business there is something wrong. If the records of this city are legally entitled to those documents we are going to have them. Every rightful, lawful means will be taken to bring Hetch Hetchy into the daylight. We have got to be sure of things that warrants the continuation of the Hetch Hetchy investigation. It will go on."

HETCH HETCHY DATA REFUSED

Public Utilities Committee Denies Request of Bureau of Municipal Research

Examiner 10/11/17.

Memoranda and data on Hetch Hetchy compilation in course of preparation was denied the Bureau of Governmental Research yesterday by the Supervisors Public Utilities Committee. Mayor Rolph and City Engineer O'Shaughnessy had been addressed the committee and urged that this action be taken. Both declared that against out information inadvance of its general publication would simply open the door to the city's enemies and give information to defeat its own ends.

Winfred B. Hilton as director of the Bureau of Research was condemned by O'Shaughnessy as one looking for places to criticize without offering any trader for work that has been accomplished. O'Shaughnessy, in a report of six pages written by Hilton in which not one word of commendation for work that has been accomplished by the City is contained.

"Attacks made by such men nearly killed my predecessor" said O'Shaughnessy. "When I took this position the then city engineer, Manson, was in a state of the result of the fights he had been through. I have no objection, if there is any doubt about the work I am doing to having it reviewed by engineers of high standing. I am sure that it will certainly do most seriously subject to allowing every Tom, Dick and Harry entry into my data in course of preparation, and that they would criticize and interfere with the progress of the work."

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ROLPH TO BACK O'SHAUGHNESSY IN HOLTON BOW

Daily News 10/11/17.

W. B. Hilton director of the San Francisco bureau of municipal research will not be permitted to make an inspection of engineering data on the Hetch Hetch project.

This statement was made in the committee, at the request of City Engineer O'Shaughnessy and Mayor Rolph, took a resolution yesterday.

Engineer O'Shaughnessy likened Holton, who was present, to "loots of the water and power companies," opposed to the city's Hetch-Hetchy project.

Mayor Rolph supported O'Shaughnessy. He said:

We can't afford to have this project investigated by every Tom, Dick and Harry—every man who may have built a sewer in Portland or a machine in Manila.

It is a fad with a little to these migratory specialists who travel around the country looking to derive the tried and efficient

"THE CITY"

"Resolved, That the Board of Supervisors and the Mayor concur in the recommendation of the City Engineer and hereby refuse to the Director of the San Francisco Bureau of Municipal Research any data on the Hetch Hetchy project until the same is published in the Annual Report of the City Engineer."

The resolution, after lengthy and heated discussion, was referred to the Public Utilities Committee of the Board, which met on Wednesday, October 10th, to consider it. There appeared before the Board, Mayor Rolph, Chief Engineer O'Shaughnessy and Mr. Holton. The proceedings will be discussed in detail later in this report. The committee by the unanimous vote of Supervisor Gallagher, Deasy, Welch and Mulvihill recommended in favor of the adoption of the resolution.

When the resolution was called up at the meeting of the Board of Supervisors on the following Monday, Supervisor Power moved for a postponement of action for a week, pending a decision from the City Attorney on the right of the Board to take action in the matter. Supervisor Hayden supported the motion. It was defeated, however, 14 to 2. The Brandon resolution was carried by the same vote. The record of the vote on the adoption of the resolution was:

Ayes: Brandon, Deasy, Gallagher, Hocks, Hynes, Kortick, Lahaney, McLeran, Mulvihill, Nelson, Nolan, Suhr, Walsh, Welch.

Noes: Hayden, Power.

Absent: Hilmer, Wolfe.

Mr. O'Shaughnessy's Attitude at the Public Hearing:

In the hearing before the Public Utilities Committee of the Board of Supervisors, Mr. O'Shaughnessy still persisted in the use of the same tactics. The Barbur letter was again quoted, the Rockefeller Foundation was again dragged in, other extraneous and unrelated statements were piled up by the Chief Engineer. The San

in our charge are open to the inspection of citizens during office hours under the supervision of the officer or employee in charge of the same. As has been explained to you many times, this privilege does not extend to cover books or papers which are not matters of public record.

"While you have not requested it, the Board will be glad to furnish you with copies of all official reports which have been made by the City Engineer to the Board of Public Works relative to the Hetch Hetchy Water Supply. These reports contain all the completed estimates of the cost of the project which the City Engineer has ever forwarded to this Board. The Board is not informed as to what preliminary and uncompleted data the City Engineer may have in his possession. Such data does not become a public record until the engineer in charge thereof has selected that which he will use, incorporated it in a final estimate or report, and filed the same with the Board of Public Works or the Board of Supervisors, as the case may be. You will readily understand that any engineer necessarily makes tentative studies, many of which he will finally reject in favor of those which in his opinion form the proper basis for official estimates. It would neither be in accordance with justice to the engineer nor public interest to give such preliminary data the official status of a public record until through official approval by the City Engineer or the Board of Public Works its connection with the public interest is established.

"Trusting that this letter will fully apprise you of our position and point of view in the matter of your request, we have the honor to remain,

"Very respectfully,

BOARD OF PUBLIC WORKS, CITY AND COUNTY OF SAN FRANCISCO.
By F. J. Churchill, Secy."

Mr. Holton called the Board's attention to the fact that the Bureau had not nor would not ask permission to "delve promiscuously into the files of the Board of Works."

Mr. O'Shaughnessy's Letter to the Civic League:

The following letter from Chief Engineer O'Shaughnessy is self-explanatory:

"San Francisco, Oct. 25th, 1917.

"Mr. George W. Gerhard,
Sec. Civic League of Improvement Clubs,
San Francisco, California.

"Dear Sir:

"Your letter of October 25th is acknowledged, wherein you state that you have been instructed by the Water Committee of the Civic League to obtain a statement from me regarding the merits of the present controversy in connection with the Hetch Hetchy Water Supply project.

"Under date of October 22d, I received a request from the Director of the San Francisco Bureau of Governmental Research for detailed estimates of cost of the more important structures—the dam at Hetch Hetchy, the tunnels and the pipe line across the San Joaquin Valley, diamond drill and other borings at the damsite and along the tunnel aqueduct, and the proposed section of the dam at Hetch Hetchy, with information as to the assumptions in its design.

"I refused this data to the Director of the San Francisco Bureau of Governmental Research after mature consideration of his request for numerous reasons, among which are the following:

"Discussion of the City's plans by one of my predecessors in the office of City Engineer enabled power speculators to mulct the City of San Francisco out of $1,050,000 for right of way on Eleanor and Cherry creeks which the City needed in connection with the development of the Hetch Hetchy plans. It is not my intention to allow other frauds of this nature if due diligence and an aggressive defense of the City's rights can prevent the same.

"Publishing premature information as to possible sites for structures, rights of way, etc., would not fail to effect a large increase in the price for which the City could obtain the necessary lands or rights of way.

"San Francisco still has conflicts with the John

Hays Hammond interests, the Yosemite Power Company, and other public service corporations, and since my tenure in the office of City Engineer I have consistently refused to disclose to engineers or attorneys, who might not make proper use of the information, any data bearing on these controversies. I have found this policy very effective in safeguarding San Francisco's rights.

"The assertions of the Director of the San Francisco Bureau of Governmental Research notwithstanding, I am convinced that many members of the organization which he represents are inimical to municipal ownership of water and power utilities by the City of San Francisco.

"I would fail in my sworn duty as a public official if, by co-operating with any organization opposed to municipal ownership, I jeopardized municipal projects which have been ratified by the citizens of San Francisco, and to construct which they have voted bond funds.

"In taking this stand I do not wish to assume an arbitrary position, recognizing as I do that in a republic city officials are the employees of the whole people, but I do not consider that special privileges should be accorded to any particular coterie of the people to the detriment of the majority of the citizens.

"Although I have refused to the San Francisco Bureau of Governmental Research the data requested because I doubt the motives of the Director and some of the members of the organization, I should have no hesitancy whatever to furnish the information requested by that body to any duly qualified representatives of disinterested civic organizations, whose motives are beyond question, and whose prudence in the use of such information can be relied on. For this reason, I should be glad to have you or any committee which your organization might designate for the purpose examine this data fully.

"Yours very truly,

"(Signed) M. M. O'SHAUGHNESSY,

"City Engineer."

THE PRESENT STATUS OF THE CASE.

On October 24th proceedings in law were instituted in the Superior Court in which the Bureau petitioned that a writ of mandate be issued to require the Board of Public Works and the City Engineer to open the engineering records on the Hetch Hetchy project to public scrutiny. This petition was assigned to Judge Crothers for hearing and was made returnable by him November 7th. On that date the assistant city attorney appearing for the Board of Works and the City Engineer, requested a postponement, and November 22nd was assigned as the date for the postponed hearing. On October 31st another legal action in reference to the Hetch Hetchy data was instituted by Colbert Coldwell, secretary of the Board of Trustees of the San Francisco Bureau of Governmental Research. The two actions were joined, and the arguments on both petitions will be heard on the same day.

The attitude of the Administration authorities as portrayed in the city attorney's answer to these two suits remains unchanged. The City Engineer is using every means at his command, both administrative and in law, to prevent the examination of the Hetch Hetchy data. The citizens generally are to be apprised of only such information regarding the Hetch Hetchy as the City Engineer and the Board of Public Works deem it politic for them to know. The City Engineer has attempted to relieve the stigma of this arbitrary attitude by offering to permit citizens and engineers of his own selection to examine the records of his office. And the Board of Works has offered to permit examination of all of the data on file as a part of the proceedings of the Board, but has denied jurisdiction over the records directly in the possession of the City Engineer.

The position of the San Francisco Bureau of Governmental Research remains as it was at the beginning of this controversy. The Bureau contends that Hetch Hetchy is a public project and that it belongs to the people of San Francisco, and ergo that citizens and tax-

payers are entitled to know what is being done with their money. The Bureau's stand has been based solely on the proposition that public business is the public's business and that any attempt by any public officials, no matter whether elective or appointive, which seeks to establish the precedent of star chamber administration of public projects is insufferable in a free democracy.

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THE DECISION IN THE HETCH HETCHY CASE

That a citizen of the City and County of San Francisco is entitled, under the Charter, to inspect "all books and records of every office and department . . . at any time during business hours" is declared by Judge George E. Crothers of Department 14 of the Superior Court in an opinion upholding the right of the Bureau of Governmental Research to examine certain data in the office of the City Engineer and the Board of Public Works relating to work on the Hetch Hetchy water project, to which they had been refused access.

Judge Crothers, in a memorandum opinion, reviews the law and the authorities overruling the city's demurrer to the complaint, sustaining petitioner's demurrer to the answer and granting his motion to strike out portions thereof.

"Neither the State law nor the Charter," says Judge Crothers, "leaves any discretion in any official as to what matter in a public office shall be made public." The opinion in full follows:

In the Superior Court of the State of California, in and for the City and County of San Francisco.—Department No. 14.

Hon. GEORGE E. CROTHERS, Judge.

COLBERT COLDWELL, Petitioner, v. BOARD OF PUBLIC WORKS OF THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, TIMOTHY A. REARDON, DANIEL G. FRASER and ADOLPH H. JUDELL, as Commissioners of Public Works of said City and County and Members of said Board, and M. M. O'SHAUGHNESSY, City Engineer of said City and County, Defendants.—No. 85453.

Counsel Appearing:

For the Petitioner—Robert B. Gaylord, Esq.

For the Defendants—George Lull, City Attorney, and Robert M. Searls, Special Counsel.

Memorandum Opinion.

The questions presented relate to the sufficiency of a petition for a writ of mandate and an amended answer thereto, both of which are demurred to and against the latter of which there is also directed a motion to strike out.

Petitioner demands a writ of mandate directed against the Board of Public Works and City Engineer of the City and County of San Francisco for the inspection of a large number of plans, specifications, reports, contracts, estimates, certificates, receipts, surveys, field notes, maps, plats, profiles and other papers relating to the Hetch Hetchy project and work done by and under the direction of said Board of Public Works, at the expense of the City, and which are alleged to be in the possession, custody and control of the Board of Public Works, which papers, etc., are alleged to include the following records:

1. Detailed estimates of cost of more important structures, including the dam at Hetch Hetchy, the tunnels and the pipe line across the San Joaquin Valley;

2. Diamond drill and other borings made by and under the direction of said Board and said City Engineer at the dam site

at Hetch Hetchy, with records thereof, and plats and other records showing contour of the dam site;

3. Diamond drill borings made by and under the direction of said Board of Public Works, and said City Engineer along the tunnel lines, and records thereof;

4. A proposed section of the dam at Hetchy Hetchy with information, data and records covering the engineering assumptions made in the design.

It is alleged that these were made and obtained by said Board of Public Works and all of the work was done by it and under its direction and control, and in connection with the acquisition and construction of the aforesaid municipal water supply, and that all of said work has been done under the immediate direction and control of said City Engineer, and that all of said records have been compiled and collected under the immediate direction and control of said City Engineer and are and at the time of said demand were in his immediate possession, custody and control, but that all of said records at all times have been and are in the possession, custody and control of said Board of Public Works.

The answer admits that all public utilities are under the charge, superintendence and control of the Board of Public Works, and that all examinations, plans and estimates required by the Supervisors in connection with the public improvements or with utilities were made by the Board, but denies that copies of plans, specifications, reports, contracts, estimates, certificates, receipts, surveys, field notes, maps, plats, profiles or other papers pertaining to the transactions of the Board of Public Works, or copies of any of them, are necessary books and records of the Board of Public Works of the kind and character required to be kept open for the inspection of any citizen during business hours, and the answer alleges and proceeds upon the theory that no such paper or record is a public record unless formally filed and made a formal part of the transactions of the Board of Public Works, and that until so filed it is within the discretion of the custodian of any such record to permit or refuse an inspection as in his opinion the public interest may be served thereby.

Section 1892 of the Code of Civil Procedure provides that,

> "Every citizen has a right to inspect and take a copy of any public writing of this state, except as otherwise expressly provided by statute."

It is not contended that the records in question, if held to be public records, come within any statutory exception to the above general rule.

Section 1032 of the Political Code provides that,

> "The public records and other matters in the office of any officer, are at all times, during office hours, open to the inspection of any citizen of the State."

It would indeed be difficult to use more sweeping language than the words "other matters in the office of any officer", though there are a number of decisions to the effect that such language does not require an official to permit the inspection of matter which is private in character or interest, or wholly unofficial in character.

This language, so far as it relates to writings, would seem to be broader than the definition of public writings contained in Section 1894 of the Code of Civil Procedure, which provides that

> "Public writings are divided into four classes:
> 1. Laws;
> 2. Judicial records;
> 3. Other official documents;
> 4. Public records, kept in this State, of private writings."

It would also seem to be broader than the following definition of public writings as defined by Section 1888 of the Code of Civil Procedure:

> "Public writings are:
> 1. The written acts or records of the acts of the sovereign authority, of official bodies and tribunals, and of public officers, legislative, judicial and executive, whether of this State, of the United States, of a sister State, or of a foreign country;
> 2. Public records, kept in this State, of private writings."

It is the general rule, aside from any statute, that any matter or record made or kept by an official in his official capacity and at public expense is to be deemed a public or official matter while so kept, even though he might have destroyed it as having served a temporary purpose and not having any probable future value. Other data made and kept by an official in his private capacity and not contemplated by the law as within the scope of his official duties has been held not to be subject to public inspection. It is not contended that any of the data referred to in the pleadings in this case come within the latter category. All of the papers and records are alleged to have been done by officials at public expense in forwarding a great public project.

In a case involving almost identical facts with those set forth in the pleadings in this case, the California Appellate Court of the Second Appellate District has decided, since the submission of authorities in this case, that records and matters similar to those sought to be examined in this case were open to the inspection of any citizen, not upon the ground that the State statutes required it, but upon the ground that it is the inherent right of any citizen as an incident to his interest in a public utility enterprise to inspect the records relating thereto. It holds that this right is a common law right, and cites a number of authorities to support its holding. That case was the case of *Mushet* v. *The Department of Public Service of the City of Los Angeles etc.*, 25 Cal. App. Dec. 1043. The Appellate Court there says:

> "In *State* v. *King, supra* (154 Ind. 621; 57 N. E. 535), which was a controversy over the attempt of a citizen to enforce the right to inspect certain records, the Supreme Court of Indiana said: 'Aside from the statute to which we have referred, we are of the opinion that the relator, under the facts presented by his petition, has shown such an interest in the matters to which the records and papers in the offices of the auditor and treasurer of his county relate as would entitle him to a general inspection thereof for the purpose which he has in view. These public records are the property of the county, and are not the

property of the officer in whose custody they have been placed. The latter is but the mere custodian thereof. It is his imperative duty to keep them safe for use and benefit of the office to which they belong, and also for the use and benefit of the public. . . . A county may be said to be an involuntary public corporation, organized by the State as an instrumentality in the furtherance of its government. The people residing therein are virtually the corporators. As taxpayers they contribute to the public revenue, and as voters they select the public officials who are to administer the county's affairs. Surely, under such circumstances, they retain or have a great interest in the proper management of the business and matters pertaining to their county, and therefore are entitled to know whether the public officials whom they have selected to represent them have properly used, disbursed, and accounted for the public funds which under the law have been confided to their custody and administration. The various county officials are commonly denominated, and properly so, "public servants", and are directly responsible to the people who select them for the honest and faithful discharge of the duties and powers with which, under the law, they are invested. Under such conditions and circumstances, as they exist under the peculiar structure or genius of government, it would certainly be a harsh interpretation of our laws, and one which would be, in our opinion, adverse to sound reason, to deny any taxpayer or citizen the right, subject to the reasonable rules and regulations previously mentioned, to inspect or examine the public records of his county in order to discover or ascertain whether the public officials had properly administered the funds of the county to which such taxpayer had been required to contribute. In fact, there can be no sound reason advanced for depriving a citizen of this right; for it is evident that the exercise thereof, for the purpose in view in this case, will serve as a check upon dishonest public officials, and will in many respects conduce to the betterment of the public service.' In short, the analogy claimed by respondent is perfect. Reason requires the application of both of the stated rules of the common law to his relationship to the books and papers kept by appellants. Therefore, as the public ownership of utilities did not come into any considerable vogue in the British Isles until about 1835 (Dillon's Mun. Corp., 5th ed., sec. 1292), a time long after the promulgation of the two rules of the common law to which we have so often referred, we see, in the situation now before us, a new condition of affairs, uncontemplated at the time those rules sprang into being, but to which they must be held to have a distinct application. We have no doubt of our right to make this application. The rules of the common law will be applied to those cases which come within their reason and equity, even when such cases seem to be outside the strict letter of such rules as they are ordinarily stated. The terminology employed in the enunciation of the principles of the common law had its rise in conditions existing at the time of such enunciation. As new conditions are discovered strict terminology will be relaxed and it will be determined, accordingly, that such situations either do or do not come within the rules, as their true spirit and equity may direct and require. These statements find general support in *Katz* v. *Walkinshaw*, 141 Cal. 116, 123; *San Joaquin and Kings River Co.* v. *Fresno Flume Co.*, 158 Cal. 626, 629; *Martin* v. *Superior Court*, 54 Cal. Dec. 422, decided October 11, 1917."

No application for a rehearing in the Supreme Court was made in that case, and I am informed by the clerk of the Supreme Court that the remittitur was due to go down to the court below last

Saturday. The Appellate Court in that case apparently overlooked the language of Section 1032 of the Political Code quoted above, or presumably it would not have based its decision exclusively upon the common law.

This court is governed by the decision in the case reviewed above. We believe that decision is correct, and that it is supported by Section 1032 of the Political Code as well as by the common law.

But in this case there is no necessity to resort either to the general law or to the common law. The Appellate Court does not refer to any provision of the Los Angeles Charter, such as exists in that of San Francisco, to support its decision, and presumably none such exists. The Charter of the City and County of San Francisco expressly provides just what papers and records must be kept officially and what are open to public inspection, and leaves nothing to the discretion of any official, except as to police records. Article VI, Chapter I, Section 6 of the Charter, provides that:

> "The Board shall keep and preserve a record of all its proceedings, and copies of all plans, specifications, reports, contracts, estimates, certificates, receipts, surveys, field notes, maps, plats, profiles, and of all papers pertaining to the transactions of the Board."

Section 13 of Article XVI provides that

> "all books and records of every office and department shall be open to the inspection of any citizen at any time during business hours."

This section leaves no discretion in any official or board. It does not require the citizen to give an exact description of the records which he has not as yet been permitted to see, and any such requirement would defeat the purpose of the provision. The burden is thrown upon the official to show that any file kept in his office is private and not public in character.

The complaint states a cause of action and is sufficiently certain. The answer denies that the papers and matters are all official, but does not with sufficient certainty specify the papers covered by the general denials. Insofar as the answer does describe records of the Board of Public Works, whether in its own office or in that of the City Engineer, which is under its control, it is all subject to inspection, under Section 13 of Article XVI of the Charter, and under Section 1032 of the Political Code.

Accordingly, the demurrer to the petition must be overruled, and the demurrer to the answer must be sustained for uncertainty.

Aside from the fact that neither the state law nor the Charter leaves any discretion in any official as to what matter in a public office shall be made public, aside from certain express exceptions not claimed to be involved here, there is no allegation in this case that petitioner in this case is actuated by any sinister purpose or that the public would be likely to suffer by reason of the inspection of the papers and other matters sought to be inspected. However, there is certain matter in the answer, largely argumentative in character, relative to the alleged discretion of the defendants, and certain allegations and legal conclusions concerning the effect of

formal filing by the Board of Public Works, to which a motion to strike out is directed and must be granted.

GEORGE E. CROTHERS, Judge.

Dated this 19th day of February, A. D. 1918.

In the Superior Court of the State of California, in and for the City and County of San Francisco—Department No. 14.

Hon. GEO. E. CROTHERS, Judge.

SAN FRANCISCO BUREAU OF GOVERNMENTAL RESEARCH (a Corporation), Petitioner, v. BOARD OF PUBLIC WORKS OF THE CITY AND COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, TIMOTHY A. REARDON, DANIEL G. FRASER and ADOLPH H. JUDELL, as Commissioners of Public Works of said City and County and members of said Board, and M. M. O'SHAUGHNESSY, City Engineer of said City and County, Defendants.

Counsel Appearing:

For the Petitioner—Robert B. Gaylord, Esq.

For the Defendants—George Lull, City Attorney, and Robert M. Searls, Special Counsel.

MEMORANDUM.

For the reasons stated in the opinion filed this day in the case of *Colbert Coldwell* v. *Board of Public Works*, No. 85453, the demurrer to the petition is overruled, the demurrer to the answer is sustained, and the motion to strike out portions of the answer is granted.

Plaintiff is clearly entitled to the privileges of any natural person respecting the securing of information from public files. The fact that it is alleged to be working for public education and improvement does not deprive it of the rights it would have in acting for its sole benefit. The application is being made upon its behalf, and not directly on behalf of others, though it is alleged that its activities will promote greater economy and efficiency in the transaction of public business.

GEORGE E. CROTHERS, Judge.

Dated this 19th day of February, A. D. 1918.

THE CITY

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. II October · 1921 No. 1

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128 Sutter Street, San Francisco, California

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"An incorporated non-partisan citizens' agency to study public business, cooperate with officials and specifically work for economy and efficiency in municipal affairs."

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Resuming Publication of "The City"

With this issue, the publication of "The City" is resumed. As one of the original activities of the Bureau, "The City" in booklet form was issued as a quarterly review, supplemented by single sheet folders in which specific items of city business were discussed from time to time as occasion seemed to require.

The regularity of publication of "The City" was interrupted in 1917-18-19 by the disruption of the Bureau's staff, five of the original force of eight entering the Army. Since then the staff, only partially rebuilt, has been continuously overwhelmed with special studies and current municipal affairs, so that it was found impossible to resume the publication with any assurance that it could be maintained regularly.

The members of the Bureau require a regular medium of information if they are to keep continuously informed of the activities of the Bureau in municipal affairs; plans have now been perfected for the issuance of "The City" once a month as such a regular medium. The publication will, in addition, be supplemented by mimeograph letters issued from time to time, touching upon specific current events that are of general interest or importance to citizens.

The publication will be sent without charge to the active and associate members of the Bureau. It is tentatively planned to put "The City" on a subscription basis at a later date, at a price to non-members of $1.50 or $2.00 per year (dependent on cost), with the end in view of materially enlarging the number of citizens whom the Bureau may keep continuously informed on city affairs in general and Bureau activities in particular.

Suggestions from members of the Bureau are invited as to matters of general civic interest that they would like to have considered or studied by the Bureau, or that they would like to see discussed in future issues of "The City."

New Director of the Bureau

Mr. Paul Eliel, Director since January, 1918, has left the Bureau to engage in private industrial engineering work. Mr. Eliel tendered his

resignation to the Board of Trustees last January, but was prevailed upon to continue with the Bureau over the municipal budget-making period. Upon the acceptance of Mr. Eliel's resignation, he was elected a member of the Board of Trustees.

He is succeeded by William H. Nanry, formerly Assistant Director. Mr. Nanry is one of the original staff members, having joined the Bureau as "Engineering Examiner" in March, 1917. He was on leave of absence from September, 1917, to February, 1919, while serving with the U. S. Army; upon his discharge from the service he resumed his place on the Bureau staff. Mr. Nanry has worked in close cooperation with Mr. Eliel, and the Board of Trustees, while regretting the loss of Mr. Eliel, feels assured that the Bureau will maintain, under the new Director, the same high place in the community and the same record of helpful service that it accomplished under the retiring Director.

The Proposed Municipal Railway Extensions

On October 7th, the Bureau sent a communication to the Board of Supervisors, copies of which were also furnished to the Chairmen of the Finance and Public Utilities Committees respectively, relative to the proposed Municipal Railway extensions.

The chronology of this matter at the time this is written is as follows: On September 19th the Board of Supervisors, by resolution, appropriated from the Depreciation Fund of the Municipal Railway the sum of $850,000 for railway extensions in the Sunset, Parkside and Haight-Ashbury districts. On September 26th the resolution was "finally passed," and another resolution appropriating an additional $110,000 for an extension in Ocean View was "passed to print." On the same date, the City Engineer was requested to report on these matters. On October 3rd the Ocean View resolution was "finally passed," and on this same date the City Engineer's report was received, calling attention to the fact that if these extensions were built, an additional $1,000,000 would be required for cars and car barns. On October 5th the Public Utilities Committee decided to recommend to the Supervisors that an ordinance be passed, authorizing the Board of Public Works to proceed on the Parkside ($130,000) and Haight-Ashbury ($225,000) extensions.

The Bureau's position is, first, that an analysis of the latest available balance sheet indicates that approximately only $560,000 is available for the $2,000,000 of proposed extensions and equipment therefor; and, second, that the Board of Supervisors should defer definite action on each and all of these proposed extensions until the City Engineer shall have reported to the Board on the whole program, with specific recommendations based on engineering and transportation factors as to what line or lines should be built within the limit of the available funds.

Excerpts from the Bureau's letter to the Supervisors follow:

"It is recognized that one of the greatest values of the Municipal Railway to the City is the possibility of extending lines into undeveloped and therefore temporarily unprofitable territory, for the development of such territory, and consequently the development of San Francisco. Plans for extensions, however, must be economically sound, and both the cost of extensions and the cost of subsequent operation must come from Municipal Railway income. This is in accordance with the expressed policy that the Municipal Railway shall operate and expand out of its own revenue, and that the cost shall in no part, and at no time, become a charge upon the tax rate.

"Relative to finances: The latest figures available to the Bureau of funds available for extensions, are those of the revised balance sheet of June 30, 1920. This shows a balance in the Depreciation Reserve of $1,310,213. The balance sheet as of June 30, 1921, is not as yet available, but it is estimated that the maximum addition to the Depreciation Reserve for the 1920-21 operations will be $200,000. Further, it is estimated that the Depreciation Reserve is being built up at the rate of from $15,000 to $20,000 per month, if these funds are not used for improvements and betterments. (This figure is arrived at by taking the average amount credited to the Depreciation Reserve each month, less accident payments, bond redemption and credits to operations to offset salary increases, to which net figure is added the estimated surplus *before* charter comparison charges are set up.) On this basis, it is estimated that an additional $50,000 will accumulate in the Depreciation Reserve for the three months of this fiscal year, making an estimated total Depreciation Reserve of $1,560,000.

"It is recognized that the amount credited (18% of gross revenues) to the Depreciation Reserve is higher than is actually required. Just what amount should be set aside each year and held exclusively to amortize depreciation is not known, nor will this be known until analysis is made of the capital accounts and the actual amount of depreciation set up for each of the several classes of property and equipment now owned.

"It is estimated, however, that $1,000,000 is probably the *absolute* minimum to which the Depreciation Reserve should be permitted to drop. This amount is equivalent to 3.1% a year on the average actual value of the property. The entire amount, $1,560,000, represents only 4.3% per year on the average value of the property.

"If $1,000,000 is a necessary *minimum* as a Depreciation Reserve, then approximately only $560,000 is available at this time for the proposed extensions.

"The Bureau of Governmental Research strongly urges upon your honorable Board the thought that expert judgment should govern the actions of your Board in the matter of these proposed extensions, or other Municipal Railway matters. The railway is a great utility, the successful operation and development of which is entirely a matter of expert direction and opinion. Interested property owners in specific localities probably appreciate their own needs best, but the City Engineer and the railway officials must view the operation and development of the road from the needs of not only one specific locality, but from the needs of whole sections and the entire city, and they must also view every proposed development from the standpoint of the ultimate acquisition of the Market Street Railway.

"As far as we are able to learn, the matter of these extensions came up on September 19th unannounced, and was not the basis of any report by the City Engineer. At the time this letter is written, the City Engineer's report on certain phases of the question, submitted to your Board on October 3rd, is not as yet available to the public.

"Without discussion of the relative merits of any of the proposed extensions, the Bureau urges that your honorable Board defer action on the ordinances reported in the press as coming up on Monday, October 10th, until such time as a report can be requested and received from the City Engineer, analyzing the four proposed extensions from the standpoint of respective merits and relative needs, and recommending the sequence of construction in accordance with the amount of funds available."

Just before going to press, the above-outlined situation was changed somewhat. At the meeting of the Board of Supervisors October 10th, two ordinances were "passed to print," authorizing and directing the Board of Public Works to prepare plans and specifications, and to advertise for bids for the Parkside extension (Taraval Street from Thirty-third Avenue to the Ocean Beach) and the Haight-Ashbury extension (Masonic Avenue from present terminus to Waller; west on Waller to Cole; south on Cole to Seventeenth Street; west on Seventeenth Street to Stanyan).

The Bureau's letter was announced as having been received, but was referred to the Public Utilities Committee without being read; the Clerk of the Board asked the Bureau to send copies to the several members of the Board, which is being done.

Also, since the above-outlined was written, there has been received a report issued by the City Engineer, titled "The Municipal Railway of San Francisco, 1912-21," under date of July, 1921. Discussing the matter of financing extensions, the report states on page 102—"Since the completion of the work contemplated in the bond issues the only extensions that have been built have been paid for out of earnings. With the unavoidable increase in operating costs during the past three years it is safe to assume that future earnings on a 5-cent fare will be adequate only for wages, maintenance and renewals, bond interest and retirement, and that future extension can not be made from surplus earnings."

Under the heading of "Unified Control of Our Street Railway Systems," discussing the Haight-Ashbury extension, the report on pages 105-106 says —"Here again it would be more logical for this service to be given by an extension of the United Railroads than to build a branch of the Municipal system from Geary Street, already carrying a large number of cars east of Second Avenue, over Masonic Avenue across the Park Panhandle and then practically paralleling existing tracks of the United Railroads."

The financial aspect of the situation, if the Supervisors on October 17th "finally pass" the two ordinances, is as follows:

1. Estimated cost, Parkside extension	$ 130,000
2. Estimated cost, Haight-Ashbury extension	225,000
3. City Engineer's estimate of cars for these lines	330,000
4. City Engineer's estimate for car barn	200,000
5. City Engineer's request for cars for Union Street line, a proper Depreciation Fund charge	220,000
Total	$1,105,000

The expenditure of such an amount would reduce the Depreciation Reserve to the dangerously low figure of $450,000, without including any sums for the proposed Sunset and Ocean View extensions.

The Bureau and How It Operates

Members of the staff of the Bureau often encounter, on the part of persons uninformed as to our work, the opinion that the Bureau is a super-scientific sort of organization, operating along purely theoretical lines,—in other words, the attitude that the Bureau's methods are "laboratory" methods, and may not be applied to "practical" affairs.

Such an impression is completely divergent with the actual facts. The Bureau is a staff agency for citizens' inspection, study and analysis of public business. It acts for all citizens, by cooperation with city officials, in the promotion of economy and efficiency in municipal affairs.

The Bureau's methods of operation are along scientific lines, being based upon facts and actual data, rather than unsupported opinion, but instead of being in the realms of pure theory, the methods used are practical to an extreme. The basis for every Bureau recommendation is first-hand knowledge, based on direct investigation and analysis, of the facts in any particular case being considered. The wide field of the Bureau's activities in such practical field studies can probably best be understood by outlining some of the more important of these activities, which, although by no

means a complete history of the Bureau's work, are as follows:

Initiating and cooperating in the installation of an accounting system for the City and County, which, although not as yet completed, now ranks very high among municipal accounting systems in the country.

A cooperative study of the Fire Department organization, equipment and locations, incidental to the adoption of the two-platoon system, resulting in the installation of the two-platoon system at an additional cost of $48,000 instead of $250,000 to $500,000 as originally estimated.

Detailed study of hauling requirements of certain of the Public Works' bureaus with definite proposals as to organization and methods.

Detailed studies of street cleaning organization, equipment and methods (incomplete), from which important results are expected.

Analysis of the organization, procedure and working methods of every city department, and the preparation of organization charts showing field, scope and sub-organization of each such department.

Cooperation with the Civil Service Commission in improving methods of examining applicants for positions as clerks, firemen, policemen and other such large groups.

Study of the revenue situation in San Francisco, resulting in a considerable revision of the license ordinances, which tended to equalize the tax burden and added considerably to the City's revenue.

City Business Regardless of Who Is Elected

No matter which candidates are successful at the election next month, there are practical business aspects of government, some of which are now pressing for solution, which will probably come before the new Board of Supervisors during the next two years. In its five years of municipal work, the Bureau of Governmental Research has become familiar with many of these points of city business concerning which citizens and candidates alike should be informed, and as it is the only non-political, impartial agency acting in a research capacity, it considers it a duty to direct attention to such points, without any relation whatsoever to the candidacy of any individual or the "ticket" of any group.

Matters of policy that may be expected to come up during the next two years are not included. The several business aspects of government to which citizens and candidates may well direct their consideration at this time are as follows:

The new Board of Supervisors should:

1. Maintain the existing "pay-as-you-go" policy for school construction, and not revert to bond issues, with an ultimate cost of approximately $1.75 for each $1.00 worth of schools built—

2. Initiate an amendment to the Charter that will modernize the personnel administration of the City. Such an amendment should provide wider civil service powers and should also provide for the *determination* of maximum compensations by the Civil Service Commission; such determination to be based on training, ability, service rendered and other factors of equity. The Charter now specifies many salaries, and vests independent, uncoordinated, salary-fixing power in the Board of Supervisors, Board of Public Works, Health Department, Park Department, Playground Department, School Department and Library Department—

3. Initiate a Charter amendment that will permit of the centralized, expert, business-like and economical purchasing of the $3,600,000 worth of supplies purchased annually by the City. Independent and uncoordinated powers are now exercised by the Board of Supervisors, School Department, Park Department, Library Department, Department of Elections, Playground Department, the Fire Department and the Hetch Hetchy Division of the Bureau of Engineering—

4. Uphold and continue the development of the modern, up-to-date accounting system installed by the present Board, which has been of inestimable value in throwing light on the City's finances, accounts and financial problems—

5. Initiate an amendment to the Charter that will bring about *real* budgetary control. Such an amendment should bring all departments under single control as to their expenditures (Park, Library, Health, School, Works and Playgrounds now independent) and should put all municipal activities, including utilities, on a budget basis—

6. Adopt the policy of considering the budget as a *real* municipal and financial program, and of living within the budget allowances, with reference to the accounts under the direct control of the Board of Supervisors ($4,400,000 current year), as well as the appropriations allowed to departments—

7. Initiate a Charter amendment to permit of the licensing of businesses engaged in manufacturing and selling. Such an amendment, although equitable and needed, failed of passage by a small vote last fall. Los Angeles raises $1,600,000 revenue from such licenses, largely on a basis of one-tenth of 1% of gross sales—

8. Continue the operation of the Municipal Railway by experts as a great utility, unhampered by any political considerations—

9. Adopt the policy of reconstructing streets on the basis of the recommendation of the City's engineering and construction experts, based on actual facts and conditions, rather than the requests of interested owners and the judgment of the Board—

10. Prosecute vigorously the effort, already initiated, looking toward the collection and disposal of garbage and waste by City forces and equipment as a necessary municipal function—

11. Initiate Charter amendments necessary to terminate legislative responsibility for administrative functions (now largely forced by Charter provisions), even though this will reduce the power of the Board.

Important Municipal Activities

Market Street Railway Valuation—Report filed with Board of Supervisors on September 12th by the City Engineer, estimating reproduction-less-depreciation cost to be $26,700,000, and estimating value for purchase by City (physical value, and probable net earnings during remaining franchise life of different lines) as $40,000,000.

Rincon Hill—Hearings held on September 13th and October 11th and 15th.

Tax Rate—Rate of $3.47 for current fiscal year, passed September 19th.

Salary Ordinance—Finance Committee's original report reintroduced on September 19th, and passed. Individual Supervisors announced that amendments increasing salaries by $21,000 (which were opposed by Finance Committee, and which resulted in two months' impasse on the ordinance) would be reintroduced at some future date.

Municipal Railway Extension—See article.

Garbage Collection—No bids were received on October 3rd for the contract collection of garbage. The garbage situation thereby reverts to its long-standing unsatisfactory status—that of practical independence of each individual scavenger. Supervisors, on October 10th, requested Board of Public Works to submit complete report on the possibility of collection by city forces.

Zoning Ordinance—"Final passage" October 3rd.

Public Defender—Ordinance creating the office of Public Defender passed on October 3rd, to take effect October 1st. Position is elective. Supervisors by resolution on same day appointed Frank Egan to serve pending such election.

Cliff House Road—Supervisors on October 3rd appropriated $128,683 to cover construction (contract previously let) of pavement of Point Lobos Avenue from Forty-eighth Avenue to Great Highway.

TUBERCULOSIS SANATORIUM—Finance Committee recommended to the Supervisors on October 10th the purchase of a Santa Clara County ranch as a preventorium, estimated cost $27,000. Action deferred one week.

REOPENING OF SPRING VALLEY RATE QUESTION—Public Utilities Committee resolution passed directing City Attorney to file application with Railroad Commission for rehearing.

HETCH HETCHY BOND SALE—Option on purchase of additional $8,520,000 of Hetch Hetchy bonds expires November 1st.

Comparative Tax Rates—Fourteen Cities

The current $3.47 San Francisco tax rate was recently the subject of lengthy discussion in the local press. The discussion was initiated by an editorial in which it was claimed that the San Francisco rate was more than twice as high as that of any other county in the state and that this condition would divert industries to our sister cities that might otherwise locate here. The editorial, which was later corrected, was based on the misconception that the San Francisco rate, being, as it is, a city and county rate, is directly comparable with the strictly county rate of any other county. The Chairman of the Finance Committee of the Board of Supervisors, in answer, pointed out the mistake and quoted actual city *and county* tax requirements of several other California cities, as compared with the San Francisco rate of $3.47.

The Detroit Bureau of Governmental Research has recently made a tentative compilation of the tax rates for 1920-21 of fourteen cities throughout the country. These, while tentative and subject to correction, are presumed to be approximately correct. The compilation shows that the 1920-21 San Francisco rate ($3.18) is tenth from the lowest in the comparison of the actual rates, but that it is actually the lowest when all of the rates are reduced to the same 50% basis of assessment upon which the San Francisco rate is levied. The accompanying table gives the detail rates and the comparison as between each of the fourteen cities.

TENTATIVE TAX RATES 1920-21

City—	Tax Rate* per $100	Basis of Assessment	Rate on 50% Valuation
Toledo	$1.68	100%	$3.36
Cleveland	1.69	100%	3.38
Akron	1.79	100%	3.58
Boston	1.90	100%	3.80
Detroit	2.17	100%	4.33
Milwaukee	2.28	100%	4.55
Rochester	2.29	100%	4.58
Kansas City	2.45	100%	4.90
Pittsburgh	2.60	100%	5.19
San Francisco	**2.95***	**50%**	**2.95***
Philadelphia	2.95	100%	5.90
Toronto	3.30	100%	6.60
Minneapolis	5.00	40%	4.00
Chicago	5.80	50%	5.80

*Tax rate for city, school and debt services. Rates for special services or assessments, for county purposes, etc., not included.

The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. II December · 1921 No. 3

The Bureau Wins Hetch Hetchy Suit

Executive Responsibility
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San Francisco's Election Procedure

Important Municipal Events

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The Bureau Wins Hetch Hetchy Suit

The right of citizens to inspect municipal business, not after it is settled, but *while it is in the formative stage* when criticism may be of real value, is at last definitely established. Last week the Supreme Court of California, in the Bureau's Hetch Hetchy suit against the City and County of San Francisco, handed down a decision ordering that all the records and data sought by the Bureau in its action be made available to it for inspection. This is of far-reaching importance, as it settles in favor of the taxpayers the right of citizens to take an active part in their own affairs as administered by municipal officials.

The Bureau in 1917, wishing to make an independent and accurate study of the Hetch Hetchy project, after informal, and later formal requests, was denied access by the City Engineer to certain information relative to diamond drill borings, dam location plans, cost estimates, stream flow studies, etc. The City Engineer's recommendation that the Bureau be denied the requested information and opportunity to scrutinize records, estimates, etc., was supported by the Mayor and upheld by the Board of Supervisors after formal hearing.

Two suits were then filed, one by the Bureau in its own name and one by the Secretary of the Bureau, as a taxpayer. A trial was had before Judge Crothers, and the Court handed down a decision upholding in part the Bureau's contentions, but deciding that certain kinds of data need not be opened to inspection. The City appealed from this decision, and the Bureau appealed from that part exempting "working papers," inasmuch as all data and investigations that had not been formally filed with the Board of Public Works by the City Engineer, and all data turned over to the

City Attorney for his information in trial cases would have been exempt from citizen scrutiny if the decision were permitted to stand. (The City contended that working reports and other data did not become public documents until they had been transmitted in a formal report from the City Engineer to the Board of Public Works, and further, that all data, when turned over to the City Attorney, became "confidential" in character.)

In the meantime, the Bureau and the City Engineer were in conferences on many other matters; much of the data originally sought by the suit had been made available at various times to the Bureau's representatives and to citizens generally, and specifications had been published and the contract let for construction of the dam. The suit was not dropped, however, because of the public-spirited desire to definitely establish the right of all citizens to have a knowledge of all public business, and not only such as a public official might choose to disclose or as might be disclosed in formal official reports.

This right is definitely established by last week's decision, which orders included within the writ of mandate for citizen inspection all preliminary estimates and details which form uncompleted data, even although such matter may not yet have been formally dignified by official sanction as public records; and further, that citizen inspection of records and "other matters" cannot be prevented on the ground that they are "confidential" by the circumstance of the City Engineer's having communicated these to the City Attorney.

Executive Responsibility

Charter Series No. 1

For this article, the first of a series in which the San Francisco charter will be critically analyzed, the failure to provide executive responsibility has been taken as the subject.

The Mayor is commonly considered as the chief executive of the government; the Charter itself reads, "The chief executive officer—shall be designated the Mayor." Under the Charter provisions, however, there can be no real executive. Eleven officials—Recorder, Assessor, Tax Collector, Treasurer, Auditor, City Attorney, County Clerk, Sheriff, Coroner, Public Administrator and District Attorney—whose duties are exclusively administrative, are, under the terms of our Charter, elected by, and therefor, responsible only to, the people and have the same independence and freedom of action as the Mayor. They are not subordinate to the Mayor in any way, although the duties they perform are routine parts of the executive and administrative procedure and in any sort of private organization would surely be placed under the chief executive.

Below the Mayor, instead of single heads of the several departments,

who, together, could constitute a cabinet for the chief executive and who, individually, could be held fully accountable by the chief executive for efficient and economical departmental administration, there are nine boards or commissions, heading the following departments: Playground, Civil Service, Elections, Public Works, Health, Fire, Police, Electricity and Park. (School and Library Departments, also headed by commissions, are independent of the Mayor.)

One of the most important of these, Public Works, is headed by three full-time paid commissioners. Four of these, Civil Service, Elections, Fire and Police, are headed by part-time paid commissioners. The individual members of boards and commissions are appointive by the Mayor, but full effectiveness and efficiency of operation of these departments can be realized only when a single executive is at the head; and the chief executive's responsibility for these departments cannot be effective until he has as subordinates, single executives responsible directly and continuously to him for the conduct of the functions assigned to these departments. This phase of organization will be more fully discussed, as internal organization, in future articles.

The Board of Supervisors, commonly considered as the legislative branch, exercises under the Charter provisions more executive functions than the Mayor. Municipal policy and operations are controlled principally through the annual budget. The Charter specifies that the Supervisors shall make the budget and further vests financial control in the Finance Committee. The Mayor, theoretically the executive officer, is not provided with means for shaping and supervising municipal operations through the medium of the budget. Departments individually file their annual requests with the Finance Committee; the allowances are determined by the Finance Committee on the basis of such requests; and the budget as passed by the Supervisors embodies departmental, Finance Committee and Supervisorial policies. After the allowances are made, the Departments of Public Works, Library, Health, Parks, Education, and Elections are independent in the expenditure of such allowances.

To summarize, under the existing Charter provisions the Mayor is not in any sense, the chief executive of the City. He cannot function as chief executive until the Charter provides:

1. The appointment by and subordination of all administrative officers to the Mayor, as chief executive,

2. The replacing of boards and commissions with single executive heads, appointed by and holding office subject to the pleasure of the chief executive, (Civil Service excepted), and

3. The provision, after a responsible and responsive organization is so provided, of an executive-budget procedure, whereby the chief executive

may shape the governmental policy annually and submit his budget to the Supervisors for review, amendment and appropriation.

San Francisco's Election Procedure

Some dissatisfaction has followed the election of last month, relative to the method and accuracy of the counting of ballots. Registrar of Voters Zemansky has called attention to the tally sheet of one precinct which he was not satisfied with and has again advocated State legislation that will permit the use of voting machines.

Some of the candidates have stated their intentions, in the interest of good government, of taking court action to get a re-count of the precinct pointed out by the Registrar as possibly inaccurate, this being the only way in which the ballots can be examined and the accuracy of the tabulation checked. As the result of a resolution introduced by Supervisor Bath at the meeting of the Supervisors on November 28th, the Judiciary Committee will make an investigation of San Francisco's election procedure, the use of voting machines and the election procedure used in other cities.

The Registrar of Voters has pointed out that by action of the last Legislature, the State law permitting a municipality to use voting machines was repealed; he has stated that in the interests of efficiency in conducting elections, this permissive legislation should be re-enacted.

The Bureau wishes to point out that although the use of voting machines would probably expedite the count of ballots cast and insure the accuracy of the count, it is of far greater importance that candidates be voted upon under a system that will insure a real representation of the wishes of the voters.

The system in use in San Francisco is the "preferential ballot" or Bucklin system. It does not insure, any more than the old system did, the election of majority candidates, which it was designed to do. (It should be kept in mind, however, that a *representative* body is what a community wants today, and not a body representing only a plurality or even a majority group.) Second and third choices may be used but the percentage of ballots on which second or third choices have been used in San Francisco is so small as to be considered negligible.

In "preferential voting" in other cities where second, third and other choices were originally more widely used, dissatisfaction has been expressed and the use of choices abandoned by the voters, because of such second and third choices often operating to defeat the first choice votes of the same group of voters. Cleveland, in a charter election last month, discarded the "preferential voting" system in favor of "proportional representation."

Instead of voting first choices for *all* offices to be filled, second choices for alternates to *all* such offices, etc., as under the "preferential ballot,"

Proportional Representation provides that the voter designate *one* candidate as his *first choice, one* other candidate as his *second choice,* etc., for as many choices as he may wish to express, regardless of the number of offices to be filled. The election of any candidate is effected when he has attained the necessary "quota," which is calculated by dividing the number of votes cast, by a number greater by 1 than the number of offices to be filled. In our election of last month for Supervisors, this quota would have been approximately 10,950.

Ballots are separated at the polling places, according to "first choice" votes, and are then sent to a central tallying place. Candidates at the first count receiving first choice votes in excess of the necessary quota, are declared elected, and such excess is then transferred to other candidates, according to the "second choices" marked on such excess ballots. The lowest candidate is then declared defeated and his ballots transferred to candidates indicated thereon as "second choices." After each such transfer the lowest remaining candidate is next declared defeated, and his ballots transferred; when, by such transfers, any candidate attains his quota, he is declared elected; and so on, until the necessary number are elected.

The feature of Proportional Representation that appeals to all persons familiar with its workings and all communities where it is operated, is that it insures fair representation of all important groups of a community in proportion to their strength—which is as it should be—and makes absolutely impossible the election of the entire legislative body either by a bare majority or, as often happens, by an actual minority. The recent election in Sacramento, under the Proportional Representation plan, evoked the hearty commendation of labor and commercial interests, press, successful and unsuccessful candidates, and all others.

It would be a rather wonderful thing for San Francisco—after the bitternesses of the past that have existed between groups within the community, and that have prevented the growth of a real community spirit, thus interfering with San Francisco's progress—if we should adopt Proportional Representation as our election system, and thus tend to weld the community together on election days, rather than sometimes to split it into continuing antagonistic groups.

Important Municipal Events

RINCON HILL—At a hearing on December 7th, Chairman of the Finance Committee and other Supervisors opposed suggestion that the City bear $1,000,000 of estimated cost of $4,000,000 out of tax rate. Certain questions were referred to City Attorney for opinion; another special meeting of the Board will be held on December 15th.

MARKET STREET RAILWAY PURCHASE—Public Utilities Committee

recommended to Supervisors that three of its members and the Mayor, City Engineer and City Attorney, be appointed as a committee to open negotiations with Market Street Railway and report back to Board. Board of Supervisors, in lieu thereof, decided to sit as a Committee of the Whole, and on December 6th held a public hearing. Representatives of the Chamber of Commerce, Down Town Association, Civic League and other organizations spoke in favor of the purchase and urged the opening of negotiations. Resolution adopted by Committee of the Whole, and concurred in by Board, that Board communicate with the Company, asking for terms and conditions of sale.

Spring Valley Rate Rehearing Denied—City's application to Railroad Commission for rehearing on water rate increase was denied, on grounds that no new matter to justify rehearing had been presented by City.

Spring Valley Purchase—Resolution by Supervisor McLeran, asking re-submission of Spring Valley purchase to the people, when and if Board recommends special election for vote of people on Market Street Railway purchase. Referred to Public Utilities Committee.

Municipal Railway Extensions—City Engineer, at meeting of the Supervisors on November 21st, stated that plans for Parkside extensions would be before the Board in about four weeks. City Engineer on December 3rd requested Board of Public Works to advertise for bids for 20 cars, to cost between $300,000 and $350,000, for service over proposed extensions and for general use.

Tuberculosis Sanatorium—Motion, December 5th, by Supervisor McSheehy committing the City to participate in the Weimar Sanatorium, was laid over for further hearing. An Alameda County site near Livermore is now proposed. Whole subject matter laid over until December 26th.

Hetch Hetchy Bonds—After extension of purchase option from November 1st to February 1st, 1922, a local syndicate on November 15th purchased the remaining $8,250,000 Hetch Hetchy bonds for $7,646,537; press states these resold on a 4.75% to 5% basis.

The Commonwealth Club Tackles the Charter

There is practically a universal sentiment for charter revision among city officials and citizens in touch with local governmental conditions. Differences of opinion may exist as to detail, and as to whether the revision should be by amendment or by a new document, but all informed citizens and officials agree that the Charter as it stands has many defects and operates as an obstacle to full efficiency in municipal administration.

It is of great interest, therefore, to note that the Commonwealth Club, through its Municipal Affairs Section, has for months been working

intensively on Charter problems. Under the chairmanship of Mr. Milton Marks, careful analysis, supplemented by extensive testimony of city officials, is being made of existing defects and how these may be corrected.

The care and thoroughness with which the problem is being attacked promises well for the final result of the Section's work. The Chairman has asked the Bureau to state that the Section welcomes the cooperation of citizens interested in this important aspect of city business.

The High Cost of Police Service

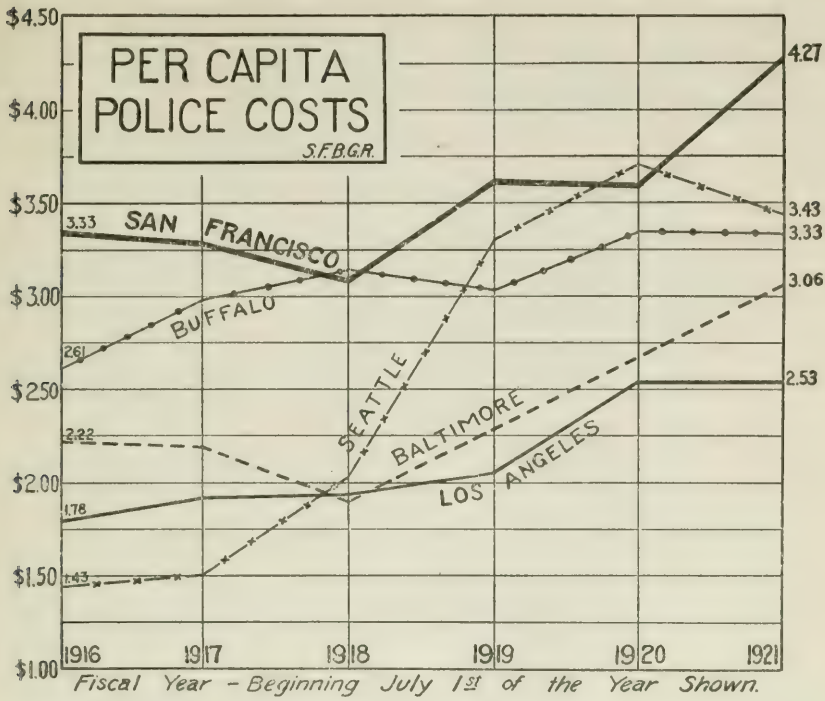
San Francisco pays for police service, *per inhabitant,* more than any of the three next larger or two next smaller cities, according to statistics recently compiled. Costs to and including 1918-19 are taken from the Census Bureau's "Financial Statistics"; subsequent costs are compiled from the budgets of the several cities. Seattle, although smaller, is added, it being a Pacific Coast city, with seaport conditions. Pittsburg (larger) and Milwaukee (smaller) are omitted from the accompanying table and chart, their 1921-22 costs not being available; *per capita* costs for these cities for the years compiled, approximate those of Los Angeles.

The 1921-22 appropriation for police service for San Francisco, exclusive of the pension deficit, is $2,261,932. This is approximately 37c of our $3.47 tax rate or 16% of the whole rate. The *per capita* cost for San Francisco is $4.27. The other cities, in their order of *per capita* cost, are Seattle, $3.43; Buffalo, $3.33; Baltimore, $3.06; and Los Angeles, $2.53.

Recently the Vigilante Committee recommended that 50 additional officers be appointed to maintain the quota at the arbitrary Charter maximum, (not to exceed one for each 500 inhabitants). The report of the last Grand Jury recommends the addition of 75 police officers. The *per capita* cost for San Francisco, if 50 additional officers are included, would be increased to $4.41.

The Bureau, at the 1919-20 budget hearings, recommended to the Board of Supervisors that the budget allowance for police officers be reduced and that part of such saving be used to purchase automobiles for the motorization of patrol service in the residential districts. It was stated, in answer, that no reductions could legally be made in police personnel, except by individual dismissals after trial upon written charges. The Bureau pointed out, that even if this was the case—which was not definitely decided—reductions could be made by not replacing officers who left the service or were dismissed. The proposal, however, was not considered further.

With the weight of present tax burdens, the continuing high level of prices partly influenced by high tax rates, and such high rates made necessary



POLICE COSTS—1921-22

City	Est. Population	Cost	Per Capita
Baltimore	753,926	$2,305,056	$3.06
Los Angeles	608,167	1,539,923	2.53
San Francisco	**526,710**	**2,261,932**	**4.27**
Buffalo	523,387	1,746,448	3.33
Seattle	331,344	1,132,040	3.43

by high governmental costs, no possible means should be overlooked for reducing these costs. This article is in no sense a criticism of our police force. The Bureau has not recently studied the department and criticism would be entirely unwarranted.

It is the Bureau's opinion, however, that full use has not been made of motor vehicles, to replace the foot-patrol in the residential districts, and to cover more ground than men on foot ever could. It is the Bureau's further opinion that motorization would not only obviate the necessity for additional officers but that it would add to the efficiency and extent of the police service; would make possible additional assignments, if necessary, to the work of traffic control and crime prevention and detection; might enable the department to function effectively and efficiently with less men than

are at present employed; and finally, that *increase in force should not be considered until the effectiveness of the existing force is expanded as far as possible, by motorization or any other available means.*

High Spots and Low Points in the Tax Rate

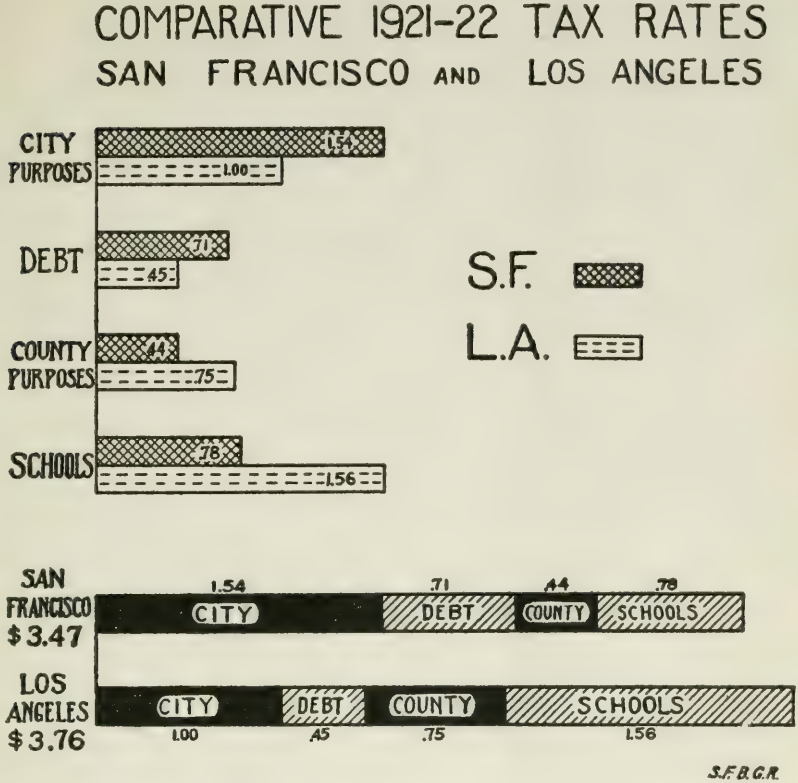
The tax rate of a city, although not a real indication of the cost of government, as has frequently been pointed out, is often used to illustrate the extravagance or economy of the government of some particular city. This is true of San Francisco during recent years, when criticism of the mounting costs of government has been answered by pointing to San Francisco's low rate.

In the November issue of "The City" the question was raised as to whether our low tax rate was really *low.* A comparison is offered in the accompanying table and chart, of our $3.47 rate with the $3.76 rate of Los Angeles, the tax rates being segregated according to the levies for City Purposes, Debt, County Purposes and Schools. The same comparative studies, to include Baltimore, Pittsburgh, Buffalo and Milwaukee are in process; the figures for Los Angeles, by reason of the complete accounts maintained by its city and county Auditors' offices, are most readily available.

For City Purposes a San Francisco taxpayer pays $1.54 for each $100 of *assessed valuation,* whereas the Los Angeles taxpayer pays only $1.00 for general city tax. *Per capita,* San Francisco $17.82, Los Angeles $11.00. Los Angeles has gone further than San Francisco in developing "Miscellaneous Revenues," which reduces the tax rate on real property; but the greater "Miscellaneous Revenues" of Los Angeles will probably be more than offset by its expenditures for services that San Francisco does not engage in (garbage and rubbish collection, *unpaved* streets maintenance, repairing of utility cuts in streets, etc.). Los Angeles also has an area of 363 square miles, as compared with San Francisco's 43.

The difference is due principally to San Francisco's higher costs for fire, police, street lighting, salaries, wages, emergency hospitals, etc.; property assessment and tax collection (Los Angeles County handles these for the City); public improvements (funded by special assessment in Los Angeles); and similar items.

For Debt Service (bond interest and redemption), the San Francisco tax bill is 71c, Los Angeles 45c. *Per capita,* San Francisco $8.25, Los Angeles $4.78. About 28c of the San Francisco rate is for Hetch Hetchy bonds, and it is anticipated by the City authorities that this will be taken off the tax rate when the power development is completed. The Los Angeles



public service enterprises represent about 60 per cent of all debt charges, but pay only $750,000 of the total of $3,854,000 required.

For County Purposes the San Francisco tax bill is 44c; Los Angeles 68c plus 7c for flood control. *Per capita,* San Francisco $5.02, Los Angeles $8.69. Although the San Francisco tax for county purposes is considerably lower than that of Los Angeles, our area is only 43 square miles, practically all "municipal" in character; whereas Los Angeles City, in addition to its city expenditures over an area of 363 square miles, pays approximately 60 per cent of all Los Angeles County expenditures, included in which are expenses for road districts, fish, game, plant and forestry control, etc., that San Francisco, because of its municipal character, does not have.

For Schools, the difference is striking, the San Francisco tax bill being 78c, Los Angeles just double, or $1.56. *Per capita,* San Francisco $8.97, Los Angeles $18.08. This is a tremendous difference, taking account as it does of our new policy of almost 30c ($1,700,000) for new school buildings. Experts and students of government give great weight, in considering the progressiveness of a community, to its appropriations for recreational and

educational facilities. By the comparison, we must conclude that San Francisco is weak in this regard, or that Los Angeles' expenditures are disproportionately high.

On the basis of the foregoing, San Francisco officials might profitably give thought to the following:

1. To reducing the tax burden for city services by reducing expenditures, if these costs are found to be too high,

2. By relieving real property and more equitably distributing the tax burden by the development of additional "miscellaneous revenue," and

3. To seriously analyzing the situation regarding schools, to determine if we are, in fact, penurious in this regard as the comparison seems to indicate.

COMPARATIVE TAX RATES
SAN FRANCISCO-LOS ANGELES, 1921-22

			Per Capita	
	San Francisco	Los Angeles	S. F.	L. A.
General				
Population, estimated	526,710	608,167	.....	.....
Assessed Valuation	$609,928,379	$704,599,078	$1,158.00	$1,160.00
Total Tax Levy	20,098,052	25,848,286	40.05	42.60
Tax Rate	$3.47	$3.76	.....	.....
City Purposes				
Appropriations	$10,685,909	$9,481,400	$20.28	$15.62
Revenues	1,296,742	2,813,650	2.46	4.62
Tax Levy	9,389,167	6,667,750	17.82	11.00
Tax Rate	$1.54	$1.00	.....	.....
Debt Service				
Appropriations	$4,569,004*	$3,104,297	.....	.....
State Refund	216,799	200,000	.....	.....
Tax Levy	4,342,205	2,904,297	$8.25	$4.78
Tax Rate	71c	45c	.....	.....
County Purposes				
Appropriations	$3,219,010	.....	.....	.....
Revenues	557,618	.....	.....	.....
Tax Levy	2,641,392	5,284,493	$5.02	$8.69
Tax Rate	44c	75c	.....	.....
Schools				
Appropriations	$6,145,288	.....	.....	.....
Revenue and State Aid	1,430,000	.....	.....	.....
Tax Levy	4,715,288	10,991,746	$8.97	$18.08
Tax Rate	78c	$1.56	.....	.....

*Budget allowance increased by tax levy.

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The Board of Supervisors—Legislative or Executive?

CHARTER SERIES NO. 2

The Charter of the City and County invests the *legislative* body—the Board of Supervisors, composed of eighteen members—with many controlling *executive* functions of government, while, as was pointed out in last month's article, the Mayor, under the Charter is presumed to be the executive and to exercise executive control. That the Mayor cannot exercise full executive powers was pointed out in the previous article. This installment will discuss the exercise of executive functions by the legislative branch, as one of the three major reasons why the Executive branch cannot function as such.

The charter framers evidently intended that the Board of Supervisors should be a *legislative* body—in fact, the charter provisions touching upon the Board are titled "Article II—Legislative Department"; but in the definition of powers and duties under this Article, they specified not only legislative powers but many important executive operations. A detailed outline of all of these will not be attempted in this article, but the more important powers so delegated will be briefly touched upon to indicate how the Charter operates in this regard.

It is specified, for instance, that all demands must be approved by the Board of Supervisors before they can be approved by the Auditor or paid by the Treasurer. This auditing function is without any question a distinct executive procedure that should be fully handled by the Executive branch, and, under proper organization, should not concern the Supervisors. It is also specified that the Supervisors shall have power to provide for and regulate the purchase, storage and distribution of all supplies for the various offices and departments. This is also an executive function, the performance

of which, in a private corporation is usually in the hands of a Purchasing Agent who is a direct subordinate of the Chief Executive. (The *making* of a budget by the Supervisors, another executive function, having been discussed in last month's article, will not be touched upon here.)

It is also specified that the Supervisors shall have power to prescribe a uniform system of accounting, to prescribe the form in which demands against the Treasury shall be made, and to prescribe the forms, methods and facilities for keeping the records, documents and files in any office or department of the City and County. Each of these functions is purely executive, the performance of which should be a direct responsibility of the Executive branch of the government; none of them has any proper place among the functions of a legislative body.

The Charter further specifies in very definite terms—and, unfortunately, hampering terms—that all City supplies shall be purchased by contract, and that such contracts shall be made by the Board of Supervisors; it goes into considerable detail in regard to the making of these contracts. These provisions (which, in passing, might be pointed out as seriously interfering with business-like purchasing by the City) cover executive functions that should be among the duties of the Executive branch.

Under the provision that states "the Board shall establish rules for its proceedings," the Board, through its several committees, administers such distinctly executive functions as the management and leasing of the Auditorium; the investigation, negotiation for and purchase of land for schools and other purposes; the investigation of applications for numerous and various permits; the lighting of streets, parks and buildings; the investigation of water and telephone service complaints; the charge and conduct of band concerts; the control of public building repairs; the consideration of many operating details of the Municipal Railways; the consideration of all subjects relating to the construction, maintenance of streets and sewers; etc.

The Charter also specifies that the Board shall appoint a committee of three, to be called the Finance Committee, to investigate the transactions and accounts of all public offices collecting or expending funds, examine the records of all persons or corporations required to pay license taxes on the basis of gross receipts, etc. These activities, it is needless to state, are also definite and specific executive functions; the Chief Executive of any *effective* organization would be seriously hampered without the power to do these very things and without provision for the performance of these things by subordinates of his organization.

The effect of the Charter provisions briefly outlined in the foregoing is to delegate *executive* control to the *legislative* body, and to restrict the Executive branch of the government from the exercising of executive powers and duties necessary for responsible, coordinated and effective operation. It is a fundamental principle of organization that executive work is a one-

man job; it cannot be handled successfully by any *group,* no matter how representative or efficient the individuals of the group may be.

It should be kept in mind that city officials, working under these provisions, are working under conditions that have been imposed by the people in the Charter. Until, by amendment or a new Charter, the Legislative branch is made legislative, and the Executive branch is made executive, the Charter itself will continue to constitute an important obstacle to responsive, responsible, efficient and economical government in San Francisco.

Uncoordinated Budget Procedure

The proposed new rules of the Board of Supervisors which, in the opinion of the Bureau, would have had the unintentional effect of decentralizing and complicating the City's budget-making procedure, will probably be revised before being adopted by the Board.

A hearing on the objections raised by the Bureau in a communication to the Supervisors, was held by the joint Judiciary and Rules Committees on January 12th, at which the Bureau, the Chamber of Commerce, Clearing House Association, Associated Savings Banks and the Civic League were represented. All those present favored the *intent* of the proposed rules, the only differences being as to the method of accomplishing the desired results.

The proposed provisions of Rule 2 specify that each of seven of the eighteen committees "shall confer with (designated) Commission, investigate its requirements, receive a copy of its estimate of expenditures for the fiscal year, and make its recommendations to the Finance Committee on or before May 1st." The proposed budget functions of these seven committees embrace the following departments: Civil Service, Education, Parks, Playgrounds, Fire, Police, Public Health, and some of the activities of the Department of Public Works. It is presumed, although not specified, that the budget estimates of all other departments would be considered by the Finance Committee as in the past.

The Bureau's understanding of these proposed provisions is that they would seriously interfere with the centralized and coordinated work of budget making that heretofore has been the duty of the Finance Committee. The Bureau in its communication to the Supervisors, pointed out that last year the *requests* of the various departments, exclusive of items under the control of the Supervisors, totaled $29,200,000, and that the budget reported to the Board by the Finance Committee, including departmental and Supervisors' allowances (which, as amended, was funded by tax rate of $3.47), was about $24,400,000.

It was further pointed out that practically all requested items that were eliminated were worthy public activities and that each individual department was able to make out a strong case for such items. It was considered

that eight committees, each analyzing the needs of individual departments without relation to city needs as a whole, could hardly fail to report, and be partially committed to, a budget considerably higher than would be the case if a single committee were charged with the duty of analyzing all requests and making its allowances upon the basis of the requirements of the City as a whole.

At the hearing on January 12th, it was pointed out by Supervisors Welch, McSheehy and McGregor that these had been made with the intention of dignifying the standing committees of the Board, to enable them to intelligently participate in the conduct of city business related to their respective committees, and to assist the Finance Committee in its task of analyzing budget requests and formulating a budget.

On the other hand, it was pointed out by Supervisors McLeran and Wolfe and the Director of the Bureau that although this was the obvious and meritorious intent of the proposed changes, it would not be the only result—that in addition the City's budget-making procedure would be decentralized and disorganized. It was proposed that the rules be amended to empower the several committees to effectively participate in city business and assist the Finance Committee by recommendations, but at the same time leave to the Finance Committee, as a single budget-making committee, the consideration and coordination of *all* budget requests and the formulation of a budget.

Informal discussion following the adjournment of the meeting indicated that the Supervisors and interested citizens were of one mind, both as to providing for more effective participation of standing committees in city business, and also the maintaining of the Finance Committee as the budget committee, with power to examine all requests and formulate a budget. The hearing was continued to January 19th at 10 a. m., at which time it is anticipated that the rules will be satisfactorily amended.

Important Municipal Events

Market Street Railway Purchase. Meeting of the Public Utilities Committee set for January 18th to consider Market Street Railway Company communication (in answer to request of Supervisors that Company submit terms and conditions of sale), asking that the City formulate and submit to the Company a definite proposal for purchase.

Municipal Railway Extensions. Plans and specifications for the Parkside and Haight-Ashbury extensions will probably come before the Board of Supervisors the latter part of January. Public Utilities Committee, January 1st, recommended the expenditure of $220,000 for cars for Union Street line, and $90,000 for material for proposed extensions. Chairman outlined expenditure program of the Board, totaling $1,320,000, out of the

$1,500,000 Depreciation Fund. Final hearing on route of proposed Sunset extension set for January 25th.

Retirement Ordinance. Board of Administration's pension ordinance, representing nine months' work, is now before the Supervisors. Hearings on this were held December 20th and January 16th; to be continued at regular Monday meetings until disposed of.

San Jose Avenue Improvement. The Finance Committee agreed to recommend that the City assume one-half ($30,000) the cost of this work, out of the 1922-23 Good Roads Fund, on the basis that San Jose Avenue is a section of the City's proposed boulevard system. (November issue of "The City" discussed this, and pointed out that assessments, as averaged over all parcels, would not be confiscatory as reported.)

Tuberculosis Sanatorium. Negotiations reported as in progress between representatives of San Francisco and Alameda Counties relative to Alameda County's terms for caring for San Francisco patients at the Arroyo Sanatorium.

Salary Standardization. Supervisor Deasy on January 9th, presented a resolution which was adopted, calling for personnel data covering all city employees, as the first step toward salary standardization.

The Financial Condition of the Municipal Railways

The Municipal Railway balance sheet as of June 30, 1921, and income statements for 1920-21 and for the entire period of operations (audit of Bullock & Kellogg) were released by the Accounting Department of the Board of Public Works late last month. For the first time, the true condition of the depreciation and surplus accounts are reflected in the official balance sheet. The financial condition shown furnishes conclusive proof of the success of the enterprise to date.

The balance sheet, which is reproduced in this article shows *Assets* of $9,262,968; *Capital* and *Current liabilities* of $4,880,457; Reserves for *Depreciation* and *Compensation insurance* totaling $1,580,194; *Contributed surplus* as $332,000 and *surplus from income* as $2,470,000.

The disposition of the Depreciation Reserves since the start of operations in 1912 is shown below. The aggregate amount of these, set aside monthly as 18% of the gross revenues, is $2,944,507.

DEPRECIATION FUND RECONCILIATION

Balance (including $82,152 due a/c Twin Peaks Payment)	$1,510,617
Injury claims, legal expenses, etc.	209,679
Bond redemption	894,000
Additions and betterments	31,206
**Wage increases, etc. (449,701, less interest on fund investments $150,696)	299,005
	$2,944,507

**Additional $90,000 for wage increases, etc., from Compensation Ins. Reserve.

Municipal Railway Balance Sheet—June 30, 1921

Assets	1921	1920
CAPITAL		
Cash in Bond Funds	$ 17,428.41	$ 17,437.09
Road and Equipment	6,674,682.42	6,658,817.58
General Expenditures	324,872.84	324,872.84
Total Capital Assets	$7,016,983.67	$7,001,127.51
CURRENT		
Cash—Supt.'s Contingent Fund	$ 3,001.00	$ 2,038.50
Cash with Treasurer:		
General Operating Fund	228,579.60	102,857.67
Depreciation Fund	516,449.33	594,137.10
Compensation Insurance Fund	69,763.37	44,513.33
Bond Interest Fund	110,526.70	120,226.70
Bond Redemption Fund	100,200.00	101,700.00
Securities in Depreciation Fund	917,886.93	667,886.93
Accounts Receivable	6,548.89	6,646.09
Accounts Receivable, Twin Peaks Tunnel Advance	82,152.53	82,152.53
Materials and Supplies	161,905.67	150,578.72
Total Current Assets	$2,197,014.02	$1,872,737.57
DEFERRED		
Accounts Receivable, Stockton St. Tunnel Advance	$ 48,971.20	$ 48,971.20
Total Assets	$9,262,968.89	$8,922,836.28

Liabilities, Reserve and Surplus	1921	1920
CAPITAL		
Funded Debt	$4,586,200.00	$4,782,700.00
CURRENT		
Accounts Payable	170,637.06	189,201.06
Interest on Funded Debt	123,620.88	133,715.03
Total Current Liabilities	$ 294,257.94	$ 322,916.09
RESERVES		
Depreciation	$1,510,616.79	$1,343,332.38
Compensation	69,577.47	44,157.17
Total Reserves	$1,580,194.26	$1,387,489.55
SURPLUS, CONTRIBUTED		
Premium on Funded Debt	$ 26,000.38	$ 26,000.38
Contributions from General Taxes	306,552.47	306,552.47
Total Contributed Surplus	$ 332,552.85	$ 332,552.85
SURPLUS FROM INCOME		
Bonds Retired Through Income	$ 894,800.00	$ 698,300.00
Reserve for Bond Redemptions	100,200.00	101,700.00
Advanced Gen. Fund (Twin Peaks Tunnel)	82,152.53	82,152.53
Advanced Gen. Fund (Stockton St. Tunnel)	48,971.20	48,971.20
Charter Reserves	18,033.00	*219,434.46*
Additions and Betterments	1,303,845.44	1,268,220.93
Operating Surplus	21,761.67	117,267.59
Total Surplus from Income	$2,469,763.84	$2,097,177.79
Total Surplus	$2,802,316.69	$2,429,730.64
Total Liabilities, Reserves and Surplus	$9,262,968.89	$8,922,836.28

An analysis is also made of the so-called Charter Reserves or "Comparison Charges." These are simply book entries, required by the Charter, of the amounts of State, Federal and Municipal taxes, licenses, etc., that a

Municipal Railway Income Account

	1920-1921	1912-1921
Passenger Revenue	$2,868,616	$16,363,364
Miscellaneous Revenue	10,468	71,331
Total Revenue	$2,879,084	$16,434,695
Interest on Securities Owned	35,128	166,382
TOTAL INCOME	**$2,914,212**	**$16,601,077**
Operating Expenses:		
Ways and Structures	$ 100,228	$ 462,250
Equipment	201,109	874,930
Power	401,862	2,095,980
Conducting Transportation	1,315,475	6,780,080
Traffic	994	3,632
General and Miscellaneous	89,122	499,661
Loss on Road Retired	8,185	8,185
TOTAL OPERATING EXPENSES	**$2,116,975**	**$10,724,718**
Income Over Operating Expenses	$ 797,237	$ 5,876,359
Interest on Funded Debt	224,453	1,757,928
Income Over Operating Expenses and Interest	$ 572,784	$ 4,118,431
Depreciation Reserve (18% of Gross Earnings)	516,414	2,944,507
INCOME OVER OPER., INTEREST & RESERVES	**$ 56,370**	**$ 1,173,924**
Charter "Comparison Charges"	245,181	1,440,168
Net Deficit	*$ 188,811*	*$ 266,244*

privately-owned utility would have to pay. The Municipal Railway is not required to pay these, and it is stated that of the total amount set up, all but $18,033 (the balance) has been expended for additions and betterments. The only purpose of such book-entries is to compare the property with any private utility. These "comparison charges," since the start of operations, total $1,421,796, segregated as follows:

State Franchise Taxes	$ 861,297
Federal Income Taxes	13,271
Municipal Franchise Taxes	490,934
Municipal Car Licenses	21,319
Insurance Reserves	34,975
	$1,421,796

The income account, which is also reproduced here for the fiscal year 1920-21 and for the entire operations-period (December 28, 1912 to June 30, 1921) shows a surplus of $1,174,000 on an operating basis, and a loss of $266,000 after the "comparison charges" are set up.

A more detailed analysis will be made in next month's "City" if space permits. The figures reflect a healthy condition *to date;* the book deficit of $266,000 is overcome six-fold by additions and betterments, advances to the City's General Fund, and surpluses, totaling $1,575,000. The critical period in Municipal Railway affairs is to come, with the Supervisors contemplating and committed in part to a $1,600,000 expenditure program out of the Depreciation Fund, which will leave nothing for depreciation purposes.

The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. II | March · 1922 | No. 6

Improving the City's Purchasing Procedure

The Copying of Documents

Relation of the Government to the People
Charter Article No. 4

Important Municipal Events

Finances of Railway Extension Program

Issued by

San Francisco Bureau
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128 Sutter Street San Francisco, California

The City

Issued monthly by the

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"An incorporated non-partisan citizens' agency to study public business, cooperate with officials and specifically work for economy and efficiency in municipal affairs."

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Improving the City's Purchasing Procedure

Supervisor Angelo J. Rossi, Chairman of the Supplies Committee of the Board of Supervisors, has taken the first step toward a much-needed revision of the City's purchasing procedure. Supervisor Rossi, on March 6th, introduced a resolution which was adopted by the Supervisors, calling on the City Attorney for an opinion as to the powers of the Supervisors, under existing charter provisions, to centralize the purchasing power and standardize the purchasing of the City.

Under the Charter, the Supervisors are delegated with certain purchasing power, and "may establish a Bureau of Supplies, and regulate the purchasing of supplies for the various departments." By ordinance, the Supervisors have delegated Hetch Hetchy purchasing to the Bureau of Engineering. Under state law, the Department of Elections purchases independently. Under the Charter, the School, Park, Fire, Playground and Library departments are also given independent purchasing powers.

In practise, all departments have power to requisition so-called "patented" articles, each according to its individual preference for one or another kind, or make. Supervisor Rossi's resolution seeks to ascertain, (1) whether the supervisorial charter powers for purchasing prevail over the departmental purchasing powers, or vice versa, and (2) what power to standardize purchasing requirements is vested in the Supervisors by the Charter.

The City Attorney's opinion can only settle the matter of centralization of purchasing, and the exercise of purchasing power. For economical, businesslike purchasing, certain existing charter provisions must be changed. These now bar open-market and seasonal purchasing, restrict quantity purchasing, force the City to buy from retailers in many instances, restrict

full and open competition, practically prevent the taking of cash discounts, and render city business unattractive to big dealers.

Much can be done to improve the procedure, under existing charter provisions, regardless of whether the opinion of the City Attorney vests all purchasing power in the Supervisors or leaves it, as at present, distributed among eight independent departments.

A centralized purchasing agency, under an expert purchasing agent, can be established to govern at least 50%, and probably 80%, of the City's purchasing. A central store can be established, which will facilitate quantity purchasing, and should secure lower prices by removing speculative elements relative to deliveries.

Accurate information of departmental needs and delivery requirements can be developed, and the schedules upon which bids are based can be revised on the basis of such accurate data. The "Schedule of Supplies" can be drafted and printed as separate schedules according to the natural trade classification of articles, simplifying the work of both bidders and checkers. Adequate specifications can be drafted, and, by co-operative methods, requirements of departments for identical or similar articles can be standardized. Adequate and accurate information of market prices and trends, seasonal fluctuations, past bidders and prices, sources of supply, etc., can be accumulated.

The Bureau is actively co-operating with the Supplies Committee in the improvement of the procedure governing the $4,000,000 purchasing requirements of the City. Since the first recommendations in 1916 on this subject, much effort has been expended on attempts to improve the procedure. The interest of the Supplies Committee and the desire of citizens for "more business in government" combine to render the possibilities of success very bright during the present year.

The Copying of Documents

At the request of the Recorder and the Finance Committee of the Board of Supervisors, the Bureau prepared, and on January 25th submitted to the Recorder, a report on the copying of documents in the Recorder's office. With minor exceptions, the recommendations of the report were agreed to by the Recorder, and the report was transmitted by him to the Finance Committee for its information and action.

The report recounts the efforts since November, 1919, to improve the copying procedure. In the last three years the work to be done has increased 26%, the force has been increased 35%, the compensation 65%, and the cost per folio has increased from 6c to 10.5c, or 75%. The theoretical output should have increased 56%, by reason of the increase in

force and the revision of the limitation of output by the copyists. To the contrary, however, the work has been falling behind, and on March 6th was 73,000 folios, or over five weeks, in arrears.

The report recommends the use of typewriters and loose-leaf books to replace the flat-bed machines and bound books now used, and the Finance Committee has already authorized the purchase of the new equipment. For the work to be done, the proposed equipment is speedier, more efficient, and less fatiguing on the operators. Of the 58 counties in the state, 53 use typewriters, and many of the Recorders are unequivocal in their expressed approval of these as compared to the flat-bed machines. It is estimated that the change in equipment will result in a saving of $8,000 per year.

The report recommends the use of printed forms, and suggests that the Recorder call conferences of all interested parties, in an effort to standardize these forms. (The first conference, in conjunction with the California Real Estate Board, was held in the Recorder's office on March 14th.) Last November, the printed matter on trust deeds and mortgages, alone, amounted in folios to more than 20% of all of the work filed in the office. It is estimated that the full use of printed forms, to save continual retyping of this "standing" matter, will result in a saving of at least $10,000 per year.

It is recommended that the fixed salary now paid copyists be abandoned, and that they be paid on a piece-rate or sliding scale basis (the rates to be later agreed upon), in accordance with the number of folios copied per month. Copyists are now paid $165 per month, regardless of the work they do. They work under a limitation of output agreed upon among themselves. This, until November, 1920, was 80 folios per day for all copyists. At that time, after continued effort on the part of the Recorder and the Bureau, the limitation was revised, and is now 100 folios per day for fifteen copyists, and ranges from 70 to 90 folios per day for the other fifteen.

The Recorder complains of a high percentage of absenteeism among the force, and states that it is not at all unusual for five of the thirty copyists to be away on the same day. Under the limitation of output, when the specified number of folios is finished, the copyist is free to leave, regardless of the hour.

The report points out that new equipment will not increase the effectiveness of the force unless the limitations on output are removed, and a fair day's work, based on full performance, is required. Both of these are designed to be accomplished by payment on the basis of the amount of work done.

A hearing, scheduled for March 3rd, was postponed until Friday, March 17th, at the request of the president of the Office Employees' Union, who

stated that he desired to study the report, and would oppose the proposal that the basis of compensation for copyists be changed.

Relation of the Government to the People

Charter Article No. 4

No form of government can long succeed that fails to provide adequate representation for all of the people; that fails to concentrate scrutiny on officials, policies and actions; and that fails to provide adequate means of control by the people of the officials they elect.

Previous articles have discussed, (1) the lack of executive control in our municipal government, (2) the control of administrative functions by the legislative body, and (3) the lack of provision for constructive criticism within the governmental organization. In this article the lack of proper relation between the public and the government is touched upon, which is in part another by-product of the defects of organization outlined in the first two articles.

Our election method, the preferential voting system, definitely insures representation of only a part of the people. The preferential system is an advance over the old majority system, but, in common with the majority system, it permits a minority to elect its candidate or its entire group of candidates.

Voters fear to express second and third choices, because such expression helps to defeat their first choices. Voters also, under this system, have no means of making their ballots count unless they cast them for a candidate who, in their opinion, is reasonably sure of election. It thus happens that people vote not so much for the man or men they want, but rather for the man or men whom they feel will be elected, even though they do not particularly favor him or them.

It has been the experience in San Francisco, as in other cities, that the longer the preferential voting system is used, the more it tends to revert to the old majority system. The people do not avail themselves of second-choice votes, and so first-choice votes only are voted. This, regardless of what it is called, is the majority system. For one office voted upon in a San Francisco election, 47,000 first-choice votes were cast and only 1,100 second-choice votes; for another office, 49,000 first-choice votes were cast and only 6,000 second choice.

It is often pointed out that a defect in the system of electing representatives "at large" is that many in the community feel that they are unrepresented. To remedy this condition there are only two alternatives—one, a return to the old discarded and discredited ward system with its political combinations and compromises, and its log-rolling for appointments, appro-

priations and improvements; and, second, the election of representatives by "Proportional Representation" under which people of the same mind and principles can combine to elect the man or men they want to represent them, regardless of geographical lines. Cleveland, the fifth largest city in the United States, discarded the preferential voting system last November and adopted "Proportional Representation." Sacramento's new form of government provides for "Proportional Representation."

Concentration of public scrutiny on officials, policies and actions, and control of officials by the public, is made very difficult, if not impossible, by the form of our governmental organization. The apparent concentration of authority where little authority exists, the independent authority of many officials, and the handling of administrative business by groups rather than by individuals, render almost impossible a proper understanding by the public of the details of government and the officials to whom credit should be awarded or on whom condemnation should be visited.

Our long ballot prevents concentration on responsible officers and divides responsibility, that should be centered, among a large number. Every second odd-numbered year we vote for a Recorder, Tax Collector, Treasurer, City Attorney, nine Supervisors, two Police Judges, and a Public Administrator. Every alternate odd-numbered year we vote for an Assessor, Auditor, nine other Supervisors, the Mayor, two other Police Judges, County Clerk, Sheriff, District Attorney, Coroner, and Public Defender. Annually we elect one of the seven School Directors.

The Mayor is usually considered the executive head of the government and in the minds of large numbers of the people is praised or criticized for administrative effectiveness or ineffectiveness. But the Mayor cannot be blamed, for instance, for administrative inefficiency, if any exists, in the offices of Recorder, Assessor, Tax Collector, Treasurer, Auditor, Board of Supervisors, Sheriff and the other independent branches of the government.

The public, having to vote on the formidable lists of candidates mentioned above, casts its votes principally on the basis of "representation," regardless of the requirements of the office for technical skill or special training. In the last election, most of the political excitement centered around the campaigns of the Recorder and the Public Administrator, two of the many offices the heads of which should be chosen entirely on the basis of qualifications for the work to be done.

Selection on the basis of skill or training is obviously impossible by the electorate, as it can have little exact knowledge of the requirements, and almost no personal knowledge of the fitness of any candidate. Usually the best campaigner, or the representative of the largest group will be elected, and, as far as the voters are concerned, it is purely accidental if he has the efficiency or training required for the work to be done.

Were all such officials subject to appointment by the chief executive, or by his department heads, in some cases, the responsibility would be fixed and definite. Public scrutiny and control would then be concentrated on the legislative body, for matters of policy, and on the executive, for the maintenance of administrative efficiency.

The ballot would be properly freed of a large number of candidates and offices to be voted upon. The electorate could concentrate on the remaining few offices where questions of policy, responsibility and representation were involved, without being confused by the large list where no public issues were at stake and where the people are in no position to choose wisely, by reason of their inability to learn the qualifications required and the relative merits of the several candidates.

It should be plain, therefore, that not only will the public business be expedited, but the citizen interest and concentration in, and control of, municipal affairs will be rendered effective by proper charter revision that, (1) provides for a representative legislative body; (2) restricts the legislative body to legislative functions, and divorces it from all administrative activities; and (3) concentrates the responsibility for administrative acts in a single executive having authority over all details of administration, including those now controlled by many independent elective officials.

Important Municipal Events

Market Street Railway Purchase. City Attorney, after conferences with officials of the company, proposed purchase plan to special committee involving $14,000,000 bond issue to cover indebtedness payable in 1924, the balance of the purchase price (to be agreed upon) to be paid out of earnings on the pay-as-you-go plan. Charter amendment required to permit of purchase and operation of inter-city lines.

Municipal Railway Extensions. Ordinance, by Supervisor Mulvihill, passed, directing Board of Public Works to proceed with Ocean View extension. Resolution, by Supervisor Hynes, proposed transportation for Sunset District via Oak Street, Masonic Avenue extension and transfer at Geary Street, as opposed to and in lieu of Duboce Avenue route. Referred to City Engineer. Resolution by Supervisor Shannon requests report from City Engineer on feasibility of operating municipal cars over Market Street Railway tracks on Taylor Street from Geary to Market.

Street Reconstruction. Southern Promotion Association filed request with Supervisors for coming budgetary consideration, requesting almost $400,000 of street reconstruction south of Market Street.

Mission High School. Hearing by Finance and Education Committees on Board of Education's proposal to raze the burned building and construct

new building on the site. Building Committee requested to report on cost of rehabilitating present structure.

PENINSULA CONDUIT. Agreement between City and Spring Valley legal representatives on contract for financing of Peninsula Conduit cost. City to construct, company to pay 5% during construction on amounts expended, and 5% rental, not to exceed $250,000 per year, upon completion. Contract to terminate in 1933, or upon three years' notice by City. Set for special order by Supervisors, for 4 P. M., Monday, March 20th.

Finances of Railway Extension Program

Under date of March 11th, the Bureau transmitted a report to the Board of Supervisors, on the financing of the Municipal Railway extensions, pointing out the danger to the continued successful operation of the Municipal Railways if the proposed extensions are built with Depreciation Reserve funds. The report was referred to the Public Utilities Committee, and will probably be considered on Wednesday, March 15th, at 2 P. M. Copies of the report are available and will be furnished upon request. The letter of transmittal accompanying the report, which summarizes the main points, reads in part as follows:

"The report points out that, to date, $965,000 has been appropriated, and that additional appropriations of $1,132,000, or a total of $2,097,000, will be required, according to the estimates of the City Engineer.

"The amount of the Depreciation Reserve, including present balances and estimated additions to and including December, 1923, is estimated as $1,903,000 as a maximum.

"If the Bureau's figures are correct, the extension program, which is being financed out of the Depreciation Reserve, will not only wipe out the Depreciation Reserve, but will create a deficit of $194,000, and will seriously jeopardize the future successful operation of the road. The City Engineer estimates that the Depreciation Reserve should be maintained at over $1,600,000, and, as an absolute minimum, at not less than $1,000,000.

"The report also points out that the proposed expenditures are the first for extensions out of the Depreciation Reserve. It is being erroneously considered as a cash surplus, and is being diverted from its proper purpose, which is to maintain the road as a continuing enterprise.

"The Bureau respectfully recommends to your honorable Board that the whole matter be reopened, and that it be carefully reconsidered and fully analyzed by your honorable Board, in conjunction with the City Engineer as the technical railway expert of the City."

The City

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Vol. II April · 1922 No. 7

Railway Extensions—How Municipal Ownership Fails

More of the Recorder's Copying

Charter Financial Procedure
Charter Article No. 5

Important Municipal Events

The Cost of Relief in the Fire Department

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Railway Extensions—How Municipal Ownership Fails

For years the San Francisco Municipal Railway, favorably conceived and wisely planned, has stood as an outstanding achievement in the history of municipal ownership. Political intervention has not been serious, and the road has made money on a five-cent fare during an abnormally difficult period. Today this success has been curtailed and the defects in our method of controlling municipally-owned utilities have become very apparent.

The Board of Supervisors has taken the road out of the City Engineer's hands, although, unfortunately, it lacks the knowledge and expertness essential for railway development and operation; and, also unfortunately, it has little understanding of the road's financial situation or requirements.

The Railway must be taken out of politics. Supervisor McLeran has officially proposed that a charter amendment be presented to the people at the November election for the creation of a Utilities Commission of three members, to serve without compensation, with full power to operate the Railway and other utilities to be acquired.

The Bureau advocated an amendment creating a Water Commission at the start of the last Spring Valley purchase campaign, and in articles in the Sunday Journal of January 29 and March 26 of this year urged the need of a Railway Board for the independent operation of the Municipal Railway. It may be found desirable to set up two such bodies, one for the Railway and one for Water and Power, but without knowing the details, it can be said that the fundamental proposal is sound and should have been made effective years ago. The Municipal Railway will never be safe until it is placed under independent, non-political and responsible control.

The developments growing out of the Bureau's report to the Supervisors on the unsound financing of the proposed Railway extensions have, in the main, been covered in the press. At the first and only hearing on the matter—that before the Public Utilities Committee on March 15—the Bureau's figures were completely substantiated by the City Engineer and the Superintendent of Railways. The Committee, stating that it was a serious matter and one that the whole Board should understand, re-referred the matter back to the Board for hearing as a special order of business on Monday, March 27th, at 3 P. M.

On March 27th, when the special order came up, there was a long wrangle as to whether the matter should be heard by the Board or again referred to committee. It was apparent that the Board did not intend to go into the subject and would later refer it to committee. The Director, therefore, when finally granted the privilege of the floor, confined his remarks to the briefest possible scope.

George Skaller—President of the Civic League, Secretary of the Masonic Cemetery Association and who is reported to be specifically interested in the Masonic Avenue extension—bitterly arraigned the Bureau, and hinted at "sinister influences" behind the Bureau's report which he promised to uncover. He did not advise the Supervisors as to how the work, to cost $2,100,000, was to be financed with $500,000. The matter was finally referred to the Finance and Public Utilities Committees jointly, and April 5th was set as the date for hearing.

At the hearing of the joint Finance and Public Utilities Committee, on April 5th, a report of the City Engineer on the construction costs, and operating costs and losses of the proposed extensions, was read. The Committee then decided to confine discussion to its own membership; although the hearing was ostensibly on the Bureau's report relative to railway finances, the Bureau was not heard, nor was its report discussed, nor was there any discussion of finances until after the Committee had acted on three of the four extensions.

Supervisor McLeran moved, for the expressed purpose of carrying out the City Engineer's recommendation, that the Taraval Street line be not interfered with, which motion was carried. He then moved, on the basis that materials had already been ordered for the Masonic Avenue extension, that this extension also be not interfered with; which motion was also carried. Supervisor McLeran then moved that the ordinance ordering the Ocean View extension be revoked. After much discussion in regard to the route, population of the district, the use of the San Jose Avenue line, etc., it was finally decided to re-refer the Ocean View extension to the City Engineer and to postpone consideration for sixty days.

Supervisor McLeran then discussed the finances of the Railway. The figures presented, however, were *gross* instead of *net*. This is the same

error that was made last September when the extensions were first proposed, and the use of such figures is widely misleading. Furthermore, the new operating deficits from extensions, and the new charges for pensions were overlooked. Instead of the $540,000 earnings a year that Supervisor McLeran is counting on—which is continuing the error of considering the Depreciation Reserve as a cash surplus—the net *earnings* will be nil, and the net to *reserve* may go as low as $175,000—a totally inadequate sum.

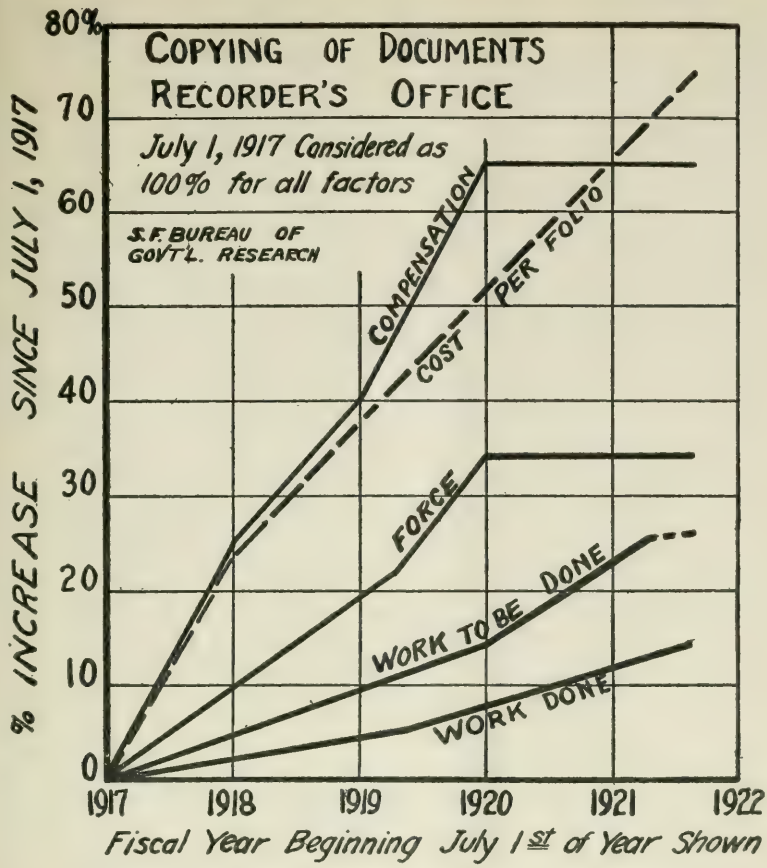
Supervisor McLeran then moved, on the basis that the Sunset extension is in abeyance until the assessment district plans are approved by the Supervisors, that consideration of this extension—and consideration of the City Engineer's recommendation that if the extensions are to be built, a bond issue of $1,500,000 be provided—be postponed for 60 days, which motion was carried. The meeting then adjourned.

The Bureau on April 10th sent a further communication to the Supervisors, pointing out that general discussion of financial factors had not been permitted, and that actual financial factors had not been brought out. To the end that Railway finances might be clearly before the Supervisors, the communication suggested fifteen specific financial factors to be ascertained from official sources and analyzed by the Supervisors. The joint Committee's report on April 10th was limited to "progress," Supervisor Shannon, Chairman, stating that, under the rules of the Board, a committee need not report until 30 days had elapsed. The matter still being in the hands of the Committee, the Bureau's communication was referred to the Committee by the Clerk of the Board without being read.

In the meantime, bids were received on April 12th, and the contract awarded by the Board of Public Works for Taraval Street. Bids will probably be received for Masonic Avenue and the contract let, in the near future. The Sunset extension, which is the most important of the four proposed, which will be of tremendous value for the development of San Francisco, and which was originally launched in 1915, is left alone to face the hazards of a bond election, or takes third place in its claim on surplus railway revenues which do not exist.

More of the Recorder's Copying

After several postponements, the Bureau's proposal for a piece-rate basis of compensation for the Recorder's copyists was considered by the Finance Committee on March 31st. This recommendation, one of several in the report outlined in last month's "City," was intended to wipe out the limitations on output, short working hours, and a high degree of absenteeism that have seriously interfered with the work of the Recorder's office. The proposal was supported by the Recorder and the Director of the



Bureau. It was pointed out that the faster equipment, also recommended in the report and already authorized, would produce no additional work if limitation of output was maintained.

W. T. Bonsor, President of the Office Employees Union, appeared in opposition to the piece-rate proposal, and, in lieu thereof, he proposed: (1) The retention of the flat rate basis of compensation; (2) Copyists to conform to the regular City Hall hours; (3) Copyists to work steadily during such hours; (4) Limitations on output to be discontinued and not permitted; (5) No unnecessary absence to be permitted; (6) Slower copyists to be assigned to comparing and the others kept exclusively on copying; (7) No interference with the installation of new equipment, the adoption of printed forms, etc.; (8) No copyists to be laid off until it can be determined just what the new equipment will do.

The Director agreed that these, if enforcible, would solve the difficulties, but pointed out that, in his opinion, they were unenforcible by reason of

failure to compensate for varying degrees of efficiency, and also by reason of the fact that the limitation of output had been in force for so long that it was traditional and part of the job with the present force.

The Finance Committee held that if these proposals would solve the difficulty, means could be found to enforce them. The Committee, therefore, abandoned further consideration of piece-rates or sliding scales, directed the Recorder to adopt the proposals and requested Mr. Bonsor and the Director of the Bureau to assist the Recorder in carrying the proposals into effect.

According to the Recorder, the two weeks of operation to date, under the "new order," have produced no improvement. The new equipment and loose leaf books will soon be available, and, although potentially faster, will produce no increased output if a limitation, official or unofficial, is maintained.

The Bureau feels that the adoption of Mr. Bonsor's proposals constitutes only a postponement of effective action and is of the further opinion that a change in the basis of compensation whereby the higher degrees of efficiency will be recognized by higher compensation than is paid for low production is the only real solution and must be adopted before real effectiveness will result.

Charter Financial Procedure

Charter Article No. 5

The financial provisions of our Charter are scattered through many sections, and constitute a mass of minute and sometimes hampering detail that has no place in the fundamental law of the City. Lack of proper organization, previously touched upon, diffuses responsibility. Accounting and financial procedure is not centralized and there is no single responsibility for all the elements of fiscal operation.

The several departments charged with details of the city financial procedure—the Finance Committee, Supplies Committee, Auditor, Tax Collector, Treasurer, Assessor, and the accounting offices of the large departments—are not coordinated in any manner. Most of these are headed by elective officers and, except as they choose, close cooperation is out of the question. In addition to the books kept in the Auditor's office, the Finance Committee maintains complete appropriation accounting, and certain of the larger departments keep complete detailed accounts.

The hub of the City's financial procedure is the Finance Committee of the Board of Supervisors. This Committee submits to the Supervisors a budget report, which is an estimate of the amounts necessary to cover all the expenses of the City and County for the next fiscal year, and later recommends to the Supervisors the tax rate necessary to fund the budget.

It has authority over many expenditures, all appropriations, and approves all demands on the Treasury. All matters in connection with the sale of bonds and the investment of city funds are initiated by this Committee. Practically all of these very important matters must be accepted by the Board of Supervisors as recommended by the Committee, because of the impossibility of the mass of detail involved being assimilated by the Board in the little time it can give to them.

One of the outstanding defects of our procedure is that ours is a "legislative" budget, made by the legislative body, rather than an "executive" budget, made by the executive. The legislative body can control expenditures only by restricting them; it has no power or machinery for supervising officials—nor should it have—and cannot compel the expenditure of appropriations with care and discretion.

Except in the case of salaries, each department (except certain of those to whom the Charter gives exclusive power in regard to the expenditure of funds) must come to the Finance Committee for authority to expend the money which has been allotted to it in the budget; and if the Finance Committee approves, it recommends an appropriation to the Board of Supervisors.

After the money has been expended, the demands signed by the department head must be approved by the Finance Committee and signed by its members before approval by the Auditor and payment by the Treasurer. The Charter further provides that all demands in excess of $200 must be approved by the Mayor, and that all demands in excess of $500 must be advertised for five days before payment.

Most of this procedure is unnecessary. The participation of the Supervisors, whose function is legislative and not administrative, should end with the appropriation of funds in the budget to a department for a specific purpose. For the conduct of public business with such funds, responsibility should be fixed on the officer who has direct knowledge of the expenditure, together with the head of the department. Responsibility should rest with the Auditor as to its legality, to the fact that it has been expended for the purposes for which it was appropriated, to certifying that there are sufficient funds in the treasury to meet the obligation, etc.

The tax rate provisions of the Charter, although ostensibly fixing a tax limit of $1.65, exclusive of expenditures due to the vote of the people, State legislative enactments, bond interest and redemptions, libraries, elections and parks, are so vague that any question as to the legality of a tax rate rests with the courts. In the fixing of the tax rate, as in the passage of the budget, no estimate of revenues is required and none is submitted. An intelligent discussion of this important matter on the part of the Board of Supervisors is impossible without such information.

The Charter specifies that funds may not be expended in any month at

a rate in excess of one-twelfth of the annual appropriation, except appropriations for elections, Assessor and Tax Collector. While this is a proper provision in respect to salaries and, as a matter of fact, was designed to prevent undue employments and salary increases out of surpluses toward the end of the fiscal year, it imposes a serious restriction on, and adds to the cost of purchasing materials, supplies and equipment, construction of streets and buildings, and other activities that are subject to seasonal or other fluctuation.

The collection of tax revenues is distributed between the Assessor and the Tax Collector; the collection of other revenues, between the Tax Collector and many other offices. The Treasurer is specified as the custodian of the city moneys, pays all demands properly approved by the Auditor, and deposits and invests all balances, with the consent of the Mayor and the Finance Committee. There is no reason for the collection of city revenues by many of the departments, especially as the Tax Collector's office is in effect a cashier's office for the City. There is also no necessity for the maintenance of a collection office, (the Tax Collector), and the Treasurer's office for the custody of funds.

The spreading of special assessments, and the collection of and accounting for installment payments thereon is handled by a division of the City Engineer's office, and is not coordinated in any way with the other fiscal departments. Many pages of the Charter are devoted to details of assessment procedure that have no place in the Charter.

The Charter goes to unusual lengths to safeguard the cash of the City. It is specified, for instance, that there shall be a joint custody safe, which shall have two combination locks, neither of which alone will open the safe; that the Treasurer shall have the knowledge of one combination and the Auditor the other, but that the Auditor shall have no control over the funds except to open and close the safe in conjunction with the Treasurer, when requested to do so. Other sections of the Charter go into detail in regard to the form of receipts the Treasurer shall use, how he shall account for these, etc. In spite of such detail, there is nothing that requires accountability for city property, either real or personal, fixed or movable.

In spite of all the Charter detail, efforts have been made unsuccessfully for years to bring about the payment of wages to employees in the field, the mailing of warrants to vendors, and other ordinary, businesslike processes. That these things, and other similar proposals, have not been adopted is due, as has been stated before in this series, to the fact that where responsibility is not fixed it will seldom be assumed.

The Charter should be changed to provide for the coordination of fiscal affairs in a Department of Finance under a single head, responsible for the keeping and supervising of all accounts, the custody and disbursement of funds, the making and collection of assessments and special assessments,

the issuance of licenses and collection of fees, the checking of expenditures, and the purchase, storage and distribution of supplies. Certain clerical agencies, although not strictly fiscal in character, such as the Recorder, should probably be included in such a Department of Finance.

Definite Charter provision should be made for necessary monthly and other periodical financial statements, balance sheets and revenue statements, and provision should also be made for special audits of fiscal officers and responsible officials in the various departments. An executive budget procedure should be established, but this is dependent on an executive form of organization, wherein control and responsibility are fixed. A clean-cut financial procedure should likewise be established to set up business-like methods, and such restrictions as are necessary, relative to budget, revenues, appropriations, transfers, expenditures, expenditure of excess revenues, availability of funds, and the payment of claims.

Important Municipal Events

Peninsula Conduit—Supervisors approved of contract with Spring Valley Water Company, whereby City will construct $4,000,000 conduit between Irvington and Crystal Springs, as a part of the Hetch Hetchy system. Company will use conduit at a rental of 5%, not to exceed $250,000 per year. Contract is in accord with Railroad Commission's rate award, with the further provision that Company will pay interest (approximately $300,000) on expenditures during construction. Contract is advantageous to City—Hetch Hetchy link will be constructed free of interest charges, and the City's available water supply will be increased by 50% in three years.

Mission High School—Report of Supervisors' Building Committee on special survey of burned building, recommends against reconstruction, and proposes temporary rehabilitation to cost $40,000.

The Cost of Relief in the Fire Department

The Board of Fire Commissioners, at its meeting of Saturday, April 15th, reaffirmed its previous decision to appoint 67 additional men and to install the "one day off in seven," to start May 1st. An appropriation of $24,000 in the current budget will defray the cost for May and June; the Fire Department budget estimate asks for an additional $127,820 to cover the cost of this relief service for next year.

A statement prepared by the Commission was read in answer to protests of the Chamber of Commerce, Real Estate Board, Down Town Association and the Bureau. The Commissioners stated that inasmuch as the Super-

visors had appropriated $24,000 for time off, the Commission could not "connive at a practical nullification of the action of the Supervisors" by postponing action.

The Commissioners' statement expresses no decision in the matter other than that the "one day off in seven" is mandatory under the Charter, and states that any discussion should be before the people, relative to Charter amendment, or before the Supervisors to resist further appropriations. The Bureau disagrees with the Commission as to the mandate of the Charter provision quoted; but, assuming for the moment that it is mandatory, the Commissioners' statement points out that the men are now getting two 24-hour leaves of absence every 13 days, which is more than the Charter provision requires.

The people voted for the two-platoon amendment on the basis of argument that, by motorization and by the elimination of days-off and time-off for meals, there would be no increase in cost. The official argument mailed to all voters by the Registrar of Voters states: *"By eliminating the one day vacation in every five,* now allowed members of the Department, the necessity of dividing the force by five for days-off would be avoided. The services of two men are thereby gained in each company. . . . For the reasons just stated, it may readily be perceived how the two-platoon system may be installed *without adding a single man to the force* and yet maintain every company with an adequate number of men during every hour of the day. . . . The system provides an adequate number of men at all hours, thereby making the Department more efficient. This is accomplished without additional cost to the taxpayers, *by eliminating the days off* and meal hours."

The Charter provision which, in the opinion of the Fire Commission, makes the "one day off in seven" allowance mandatory, was adopted in 1907 under the single-platoon conditions. It states that each officer and member of the Department shall be allowed "leaves of absence of not less than 24 hours duration, not less times than once in each week." The two-platoon Charter amendment adopted in 1916, which, like all Charter amendments, nullifies earlier Charter provisions in conflict therewith, carries a distinct implication otherwise, it being stated "no officer or member shall be required to remain on duty for more than fourteen consecutive hours, except when changing from one tour of duty to the other."

The men during the two-platoon campaign understood that this provision abolished time off; their entire campaign and their arguments to the people were based on this statement and understanding. When the two-platoon system went into effect in 1918, there were no time-off allowances, and the cost, as compared with the single-platoon, on a strictly comparable basis, was 6.6% or $82,000 more. Men on the night shift could sleep

between 10 P. M. and 6 A. M., except when called out; this permission, with the small number of calls for most companies, is in itself an important factor.

Two years ago, a delegation representing the firemen appeared before the Finance Committee, during the consideration of the 1920-21 budget, requesting an appropriation to allow the firemen "one day off in seven." It was frankly stated that during the two-platoon campaign the men had stressed the wiping out of the time-off allowance as the factor that would permit of two-platoon installation without additional cost of force.

The delegation, however, stressed the matter of social justice, and pointed to the long hours on duty, the hazards of fire-fighting, and to their Charter "rights" to 24 hours leave each week. It was stated that the cost of the requested "one day off in seven" would be only about $100,000 per year. The policy of time off was approved by the Supervisors and a partial appropriation was made, with the expressed idea of assimilating the whole cost over a three or four year period.

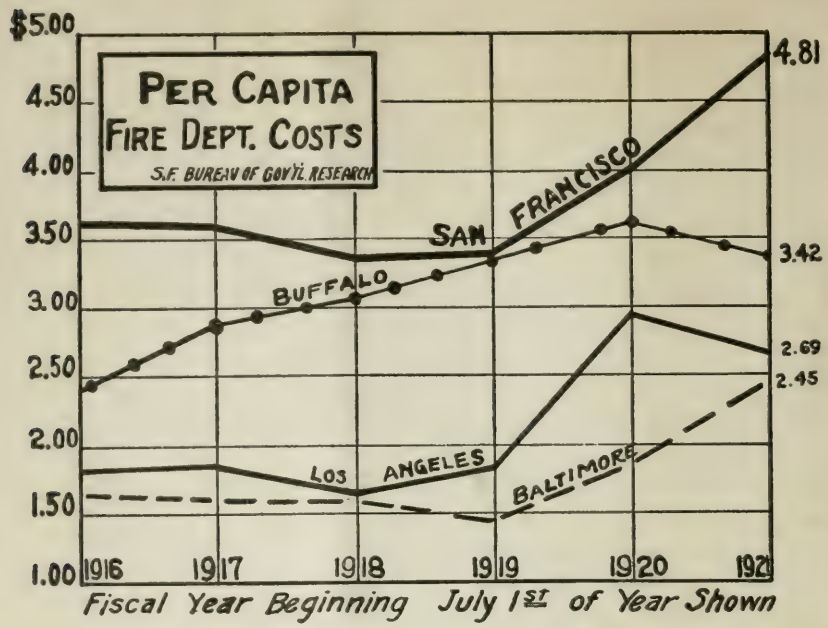
By the use of this appropriation, and by the discontinuance of theatre details, etc., the Board of Fire Commissioners were able to accumulate sufficient funds to employ 64 additional men for time-off relief, and to put into effect, as of July 1, 1920, a time-off allowance of 24 hours for each man, at each weekly change of shift. Twelve hours of each such 24 hours is considered by the men as their own time, leaving 12 hours net each week. This so-called "one day off in fourteen" increased the cost of the two-platoon over the single-platoon, on a comparable basis, to a total of 18.7% or $233,000, exclusive of amount of salary increases.

Under the "one day off in seven" plan, which goes into effect May 1, the men will get 24 hours off at one weekly change of shift and 48 hours off at the next weekly change. Considering 12 hours of each such period as their own time, this leaves a net 48 hours off every two weeks or "one day off in seven." The "one day in seven" plan will require 67 additional men and will result in a total increase, under the two-platoon system, of 27.6% or $340,000 over the old single-platoon system, disregarding salary increases. The 64 men employed at present for relief, and the 67 additional men to be employed May 1st—a total of 131—do not add a single man to the effective strength of the companies.

A strict comparison, eliminating salary increases and details that do not apply to all—such as theatre, fire prevention, college, etc.—is as follows:

Conditions—	*Force*	—— *Increases* ——	
Single-platoon	785	.....	.....
Two-platoon when first installed	837	6.6%	$ 82,000
Two-platoon with "one day off in 14"	932	18.7%	$233,000
Two-platoon with "one day off in 7"	999	27.3%	$340,000

The compensation paid in the San Francisco Fire Department—$2,040—



is exceeded only by compensation paid firemen in the city of New York. The per capita cost of the San Francisco Fire Department, as shown by the latest available Census Bureau Statistics (1918-19) was the highest in the country. Since the period covered by these figures—that is, during the last three years—our per capita cost for the Fire Department has increased 41%.

On the basis of 1921-22 figures, in comparison with cities of similar size, San Francisco's per capita cost is by far the highest and is 40% higher than that of Buffalo, which has the second highest per capita cost for fire. This is strikingly shown by the accompanying chart. In order of population, the cities and their per capita cost for fire departments are as follows:

FIRE DEPARTMENT COSTS—1921-22

City—	*Est. Population*	*Cost*	*Per Capita*
Baltimore	743,926	$1,840,997	$2.45
Los Angeles	592,420	1,635,238	2.69
San Francisco	517,560	2,539,778	4.81
Buffalo	515,081	1,790,296	3.42

The "one day off in seven," under the decision of the Fire Commission, will be operative for May and June of this year, and the 67 men to be appointed will be paid out of the $24,000 appropriation in this year's budget. The matter is now up to the Finance Committee and the Board of Supervisors, as to the allowance of the requested $127,820 to continue the 67 additional men during the next fiscal year.

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The City

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The Public Interest
A Bond Issue for Schools?

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The 1922-23 Budget Estimates

This year brings the Bureau to its sixth annual analysis of the City's budget estimates, covering requests for the fiscal year 1922-23. As in the past, the Bureau has been furnished with copies of all budget-estimate sheets by the Finance Committee, and has been afforded every courtesy. Since the Bureau's first budget work—relative to budget estimates for the fiscal year 1917-18—a great improvement in the City's budget procedure has been effected, and this improvement is being continued with each year's budget.

Much still remains to be done, such as the budgeting of revenues and *all* expenditures, the further development of comparative information for budget purposes, the further breaking up of lump-sum allowances, the segregation of budget estimates for the large departments according to operating units, etc. In certain other respects our budget procedure is far from perfect, but in these matters the procedure reflects the lack of centralization, authority, and coordination which is inherent with the San Francisco form of governmental organization.

The 1922-23 budget for the City and County is now being made up by the Finance Committee; the budget report of the Committee, according to the Supervisors' rules, must be submitted to the Board not later than May 15th. Although this report had not been submitted up to the time this article goes to print, it may be issued before this is published. Under the Charter, the Supervisors must pass the budget on or before the first Monday in June (June 5th).

This analysis of the budget requests segregates the various items under four heads: (1) Departmental operations; (2) Improvements; (3) Bond interest and redemption, for which no budget estimates have been filed;

(4) The so-called "Supervisors' appropriations," for which no estimates have been filed.

Budget Estimates for Departmental Operations The departmental requests for the next fiscal year, exclusive of improvements, total $17,995,192. Budget allowances for the current fiscal year for these several departments amounted to $15,923,687; the amounts requested for next year exceed the current allowances by $2,071,505. The major increases requested are as follows:

School Department	$656,070
Fire Department	333,053
Health Department	287,034
Police Department	206,374
Park Department (maintenance)	138,500
Departments of Public Works	91,548

Budget Estimate for Improvements Budget estimates for improvements and special projects amount to $5,431,935. These cover Health Department buildings, schools and school lands, parks, playgrounds, the Esplanade, extension of main sewers, special street work, structures for the corporation yard, etc. No budget estimate has been filed for street reconstruction but the amount desired has been stated informally as $400,000, making a total of $5,831,935 for improvements. The current year's allowance for similar items totals $2,692,500; the requests for next year exceed this by $3,139,435.

Bond Interest and Redemption Estimates No budget estimate has been filed for the bond interest and redemption requirements for next year. The budget allowance for this item for the current year was $4,416,373 (which was increased at the time of fixing the tax rate). The requirements for bond interest and redemption for the coming year are estimated by the Bureau as $4,992,887, an increase of $576,514 over the current appropriation. (This estimate is subject to correction when information of actual bond-fund balances available for re-investment is released; an unofficial estimate totals $5,281,244, almost $300,000 more than the Bureau estimate.)

The published statements that bond interest and redemption for next year would be less than for the current year and that by such decrease the tax rate might be reduced, are not in conformity with the facts. Bond interest and redemption requirements will increase, due to heavy and cumulative Hetch-Hetchy expenditures, until the Moccasin Creek power operations produce revenue to offset the debt charges.

Other Estimates Not Filed Budget estimates have not been filed for the police courts, pension funds, and for a number of items under

the control of the Board of Supervisors. The current allowances for these items totalled $1,434,020. To reach a total, the several items have been considered in the same amounts as allowed for the current year, with increases (estimated by the Bureau) for advertising, street lighting, firemen's pensions, police pensions, and the employees' retirement fund. The amount of such increases is estimated as $386,800, which makes a total budget requirement of $1,820,820 for this group of items next year.

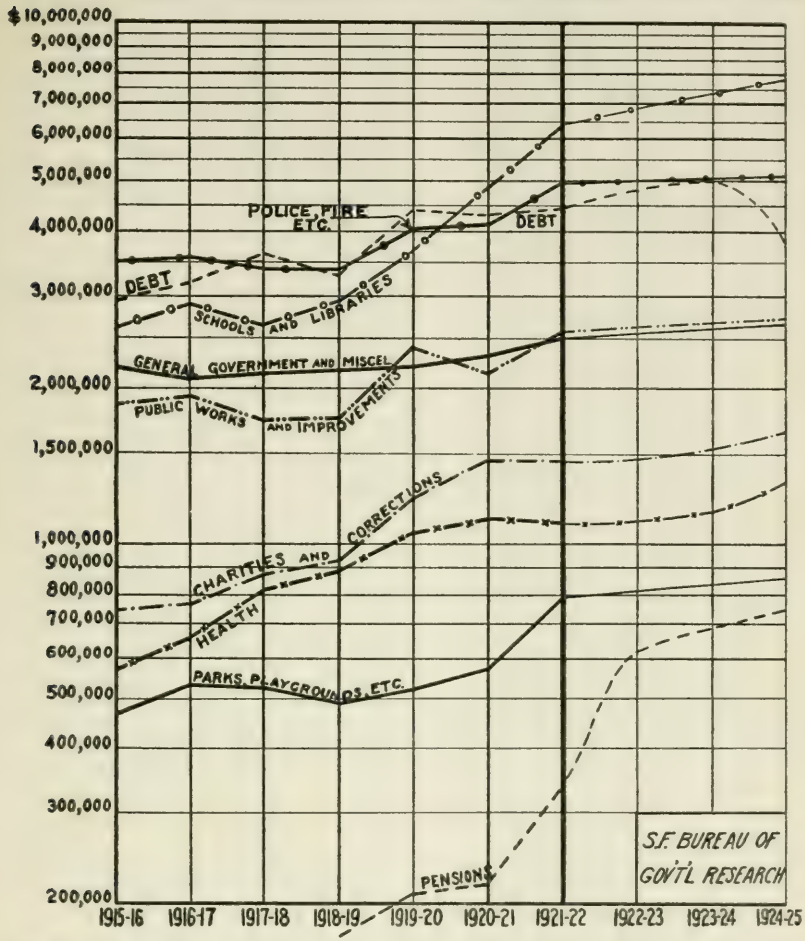
A Lower Tax Rate? On the basis of the foregoing, the total of the budget estimates for the coming year—some of which, as has been stated, have been assumed on the basis of the 1921-22 allowances—is as follows:

	1922-23 Requests	1921-22 Budget	Increase
Departmental Operations	$17,995,192	$15,923,687	$2,071,505
Improvements	5,831,935	2,692,500	3,139,435
Debt Charges (estimated)	4,992,887	4,416,373	576,514
Other Items (estimated)	1,820,820	1,434,020	386,800
	$30,640,834	$24,466,580	$6,174,254

An analysis of the budget estimates seems to indicate that the "lower tax rate" rumors of the last few months were not based on an appraisal of the inescapable increases, or were based on a plan of either reducing operating costs, curtailing improvements, or scrapping the pay-as-you-go policy so strongly championed by the Finance Committee in its last year's budget report. The Assessor has stated informally and unofficially that this year's assessment roll will probably increase by four or five millions. On an assessment roll of $615,000,000 ($610,000,000 last year) and assumed miscellaneous revenues and State refunds of $3,700,000, the total revenue produced by a $3.40 tax rate will be $24,610,000.

The amount of the tax rate should be of less importance than the matter of efficiently meeting our needs and eliminating all needless expenditures. Recent news items have forecast the reduction of the rate by resort to a bond issue for schools. This is one way to reduce the rate, but it will simply pass the cost along and increase it by more than half. A tax-rate reduction, simply to "cut the rate," although it may "save 7c," is no saving at all if, on the other hand, it will cost $1.00 for the privilege of "saving the 7c."

Reductions Proposed by Bureau A partial analysis of the budget estimates for departmental operations was made by the Bureau in the limited time available, and many specific reductions were proposed to the Finance Committee at a public hearing on Wednesday, April 26th. The departmental requests that were analyzed total $11,803,384 ($11,-



570,944 allowed for the current year), and the specific proposals made by the Bureau to the Finance Committee for reduction of these requests totaled $1,300,413.

The comparative budget summary enclosed with this article shows for each department or function the 1921-22 budget allowance, the request for the next (1922-23) fiscal year, the amount of increase or decrease as compared with the current appropriation, and the amount of the reduction recommended to the Finance Committee by the Bureau. Some of the more important items on which reductions were proposed, and the basis therefor, are detailed in the following.

Police Motorization The Police Department request 75 additional patrolmen for the next fiscal year, which increase amounts to $154,800. The Grand Jury, the Vigilante Committee, and the Civic League, during the past year, have urged increases of from 50 to 100 patrolmen. Of a police strength totaling 1019, patrol-service assignments total 513—51 sergeants and corporals, 420 foot-patrolmen and 42 mounted patrolmen.

Three years ago the Bureau proposed partial motorization of the patrol service as a solution of the requirements for additional police service. Our current per-capita cost for police service, in comparison with 12 other cities, of from 300,000 to 800,000 population, is exceeded only by Boston and Newark, and the size of our present force, in relation to population, is exceeded only by Boston, Newark and Buffalo.

The Bureau proposed, in lieu of such addition to the force, that partial motorization of the patrol service in outlying districts be adopted, to release patrolmen for traffic and other necessary police functions, and to greatly increase the police service in the districts motorized. The patrol service is now almost 10% mounted, and the budget request contemplates increasing the number of mounted patrolmen. Motorization should also obviate these and partly replace existing mounted patrols.

It is estimated that 45 autos, the first cost and operating expense of which will not exceed $58,275 per year, would release at least 95 patrolmen for traffic or other duty. The average number of police officers who die, resign, or are dismissed per year is 24, and it was part of the proposal that with motorization, these natural separations from the service should not be replaced by new men. Taking only 20 per year as the number of natural separations, this would average 10 men for the full year, and if these are not replaced, would produce a saving of $20,640 to offset the cost of motorization.

On the above basis 45 autos will release 75 additional officers for necessary police service, will increase the patrol service by 20% or more in the areas motorized, and will reduce the force at the end of the fiscal year by not less than 20,—at a net cost of $37,635, in lieu of the $154,800 requested for 75 additional patrolmen, a reduction of $117,165. Furthermore, if the principle of motorization of patrol service in the residential districts is extended year by year to the extent of the number of natural separations occurring in the department, the saving over a ten-year period, by which time motorization would be extended to its probable maximum application (60% of the patrol service), would amount in the aggregate to over $2,800,000.

Firemen's "One Day Off in Seven" The request of the Fire Commissioner for 67 additional men for next year to continue the "One Day Off in Seven" (which was instituted on May 1st) amounts to

$127,820, which would serve to increase our already high cost for fire service. San Francisco's per capita cost for fire fighting has for years been the highest in the country and for the current year is 40% higher than that of the next highest city for which current figures are available.

Under the two-platoon system there was originally no time-off allowance. Since July 1st, 1920, the time-off allowance has been one 24-hour leave at each change of shift, or two 24-hour leaves of absence every thirteen days. The new time-off allowance, which was made effective May 1st, and for which the 67 men are requested for next year, is a 24-hour leave of absence following the first six days or nights of duty, and a 48-hour leave following the succeeding six nights or days of duty.

The cost, the two-platoon campaign based on the "elimination of days-off," and the Charter provisions, were discussed in detail in the April issue of "The City." Before the Finance Committee, it was pointed out that, although still called the "one day off in seven," the requested relief was an additional request, over and above that which was made partially effective in the 1919-20 budget, and continued in the 1921-22 budget, and that the men, since July, 1920, had been getting a 24-hour leave weekly,—thus fully meeting the Charter requirements, if, as claimed, these are mandatory. (The Fire Commission based its action on a Charter provision, which the Bureau urged and believed was nullified by the two-platoon amendment.)

Relative to social justice, the additional point was raised that, inasmuch as the men on the night watch (every other week) may sleep during their time on duty from 10 P. M. to 6 A. M., in which hours even the busy companies are called out on an average of less than once a week, the men on night duty have practically all their days to themselves for social and recreational purposes—6 days in every 13, in addition to the leaves of absence at each change of shift.

The Chairman of the Finance Committee, in an informal discussion following the budget hearing, indicated that his understanding is that prior to May 1st the 24-hour leave had to be made up by working a double shift during the week. It was explained that this was not the case. The Bureau proposed a conference of the Finance Committee and representatives of the men, the Fire Commission and the Bureau, as a means of clearing up any such misunderstanding.

Salary Revision In the absence of any scientific salary-standardization procedure, which will require Charter amendment to make effective, a standard basis of revising salaries downward from the war-time peak rates was proposed. This would effect a reduction of $220,480 in the salaries of 1100 employees—exclusive of executives and per diem employees —and, on the basis of the decreased cost of living, is just and fair to employees and taxpayers alike. Salaries, as well as wages, were increased dur-

ing the past five or six years on the basis of the then rising cost of living. The "higher cost of living" reached its peak in June, 1920, at which time it was 96% in excess of 1914 levels. Since that time it has decreased, until in April, 1922, it was 53% in excess of 1914 levels, a recession of 43% in the amount of increase.

The wages of city laborers, teams, building-trades craftsmen, etc., were originally increased, due to increased living costs, in accordance with outside going rates. These rates, in common with compensation rates throughout the country, have since been reduced, due to the recession in the increased cost of living. The reduction for laborers, in relation to their increased compensation since 1918-19, amounted to 50% for teams, 50% in outside employment, 25% in city employment; for carpenters, painters, plumbers and other craftsmen, an average of 16% in city employment, 43% in private employment—all percentages being per cent of increased compensation over 1918-19 rates.

The Bureau pointed out the need for salary-standardization procedure, and proposed that the compensation of 1100 salaried employees in 42 departments and bureaus, be reduced by an average of 37% of the *amount of increase* allowed in each individual *since 1918-19*.

The City's salary scale is and has been very generous in comparison with outside compensations. In addition, the people, by their votes, have authorized a pension system for which next year they will be called upon to pay approximately $300,000. With the favorable employment conditions of the City service, there is no reason why the increases of the last few years should not be revised, now that the cost of living—the basis for the existing peak salaries—has been importantly modified.

Policemen's and firemen's rates are written in the Charter, and cannot be changed except by Charter amendment. In the discussion growing out of the Bureau's proposal, it was agreed that compensation of school teachers should not be included in the proposal, by reason of their low compensation prior to increases, and by reason of the public sentiment which resulted in their increases, comparable somewhat to the Charter mandate governing fire and police compensations.

Going Wage Rates The Bureau proposed that rates for various crafts and teams which are now being paid in excess of the going scales, and which are requested in the budget for the coming year at the same excess over the going scales, be reduced to the actual going rates. Laborers, although at the present time being paid in excess of the going rate, are reduced in the budget estimates for next year to the present going rate of $5.00, and so are not included in these figures.

The proposed reductions for crafts would total $14,147 and for teams

$22,745, exclusive of employees and teams paid out of lump sum appropriations. It was pointed out that excess payments by the Board of Public Works for the current year, due to rates in excess of going rates, have amounted to $73,783 for men and $38,320 for teams, a total of $112,103.

It was again proposed that the custom of paying teams for Saturday half-holidays and making appropriations for team-hire for holidays, be discontinued. The reduction under this head would amount to $29,089, exclusive of teams paid out of lump sum appropriations.

Reorganization

Reorganization proposals in several departments and bureaus were outlined to the Finance Committee, and were more fully covered in a statement of budget-estimate proposals filed with the Committee. The proposed reductions include:

Assessor's office, $30,000 by revision of personal-property assessment procedure, and by the writing of the assessment roll mechanically instead of by hand;

Auditor's office, $4200 by the mailing of warrants to vendors;

Coroner's office, $11,120 by the use of Emergency Hospital ambulances instead of separate force and equipment;

County Clerk's office, $19,800 by the adoption of new equipment and procedure for copying, similar to the Recorder's office;

Bureau of Building Repair, $10,470 by a reduction in supervisorial positions;

Bureau of Street Cleaning, $16,800 by the motorization of six can-collection routes;

Bureau of Sewers, $1,800 by the motorization of catch-basin cleaning collection service;

Tax Collector's office, $11,500 by the mailing of tax bills and by the mechanical writing of tax bills at the time of writing the assessment roll, instead of by long hand;

Treasurer's office, $2400, contingent upon the Auditor's mailing of warrants and payment of employees in the field.

Material Prices and Other Proposed Reductions

The Bureau proposed decreased allowances for materials and supplies for the various departments, each considered individually on the basis of the trend of prices for the particular commodities used. The amount of proposed reduction varied considerably on the basis of such specific commodities, ranging from 2¼% to 10% for individual departments, and totaled $145,370. In the discussion growing out of this proposal, the Chairman of the Finance Committee stated that City purchase prices had risen, in comparison with prices earlier in the fiscal year. This condition obtains only in specific commodities, and is reflected in the price-trend figures used by the Bureau.

Other reductions touched upon by the Bureau and covered in detail in the budget-estimate proposals filed with the Finance Committee, included 51 compensation increases requested for next year, $17,460; 93 of 249 new positions requested, $174,680; other than personal services, on the basis of current expenditures, $74,715; $117,880 of $268,252 requested for equipment; $24,753, duplication in personal service requests; $40,408, duplication in non-personal service requests; and miscellaneous items, $6411.

Funds Available for Improvements The Bureau made no recommendations to the Finance Committee relative to public improvements, other than to point out that if the proposed reductions were adopted, the following amounts would be available for improvements, under each of the following tax rates:

		$3.47 Rate	**$3.43 Rate**	**$3.40 Rate**
Estimated revenue		*$25,040,500*	*$24,794,500*	*$24,610,000*
Requests less reductions	16,694,779			
Bond Int. and Redempt'n (est.)	4,992,887			
Miscellaneous items (est.)	1,820,820			
Available for improvements		$1,532,014	$1,286,014	$1,101,514

The details outlined above summarize the budget recommendations of the Bureau to the Finance Committee. They do not represent maximum reductions; analysis of several of the large departments could not be completed in the short time available, and, in the departments analyzed, many extensions of service were passed.

Lack of Proper Organization It is again pointed out that under our form of government, such executive control as is exercisable, is vested principally in the Finance Committee. It, however, cannot control municipal operations and expenditures to the same degree that an executive can control a private organization's operation and expenditures. Many of the Bureau's proposals could be effected by the Finance Committee only by limiting appropriations, with no surety, even by such limiting of appropriations, that the various departments would be bound by the detail of the Finance Committee's allowances.

Elective officers are independent of the Finance Committee, and some of the boards and commissions have independent control of the expenditure of funds allowed to their departments. The Finance Committee might not allow or might reduce specific items requested, but would then lack power to enforce expenditures in accordance with its allowances.

The Public Interest The lack of interest of the general public in its public business is traditional in American cities. The groups who want something, which may be for the general public interest or which may be

purely selfish, are active in behalf of the things they want. The general public may not want those particular things or may, in fact, be opposed to them, but whatever its sentiment, it is usually silent. Only in crises is public opinion generally expressed.

An organized active group of 500 or 1000 men can usually get what it goes after, although the thousands of people who have to pay for it may be opposed to it. It is this that emphasizes the need, more so during budget-making than during the rest of the year, of simplifying our form of government so that the whole people may be more easily informed of the details of government, and so that responsibility for governmental actions and policies will be easily apparent to all.

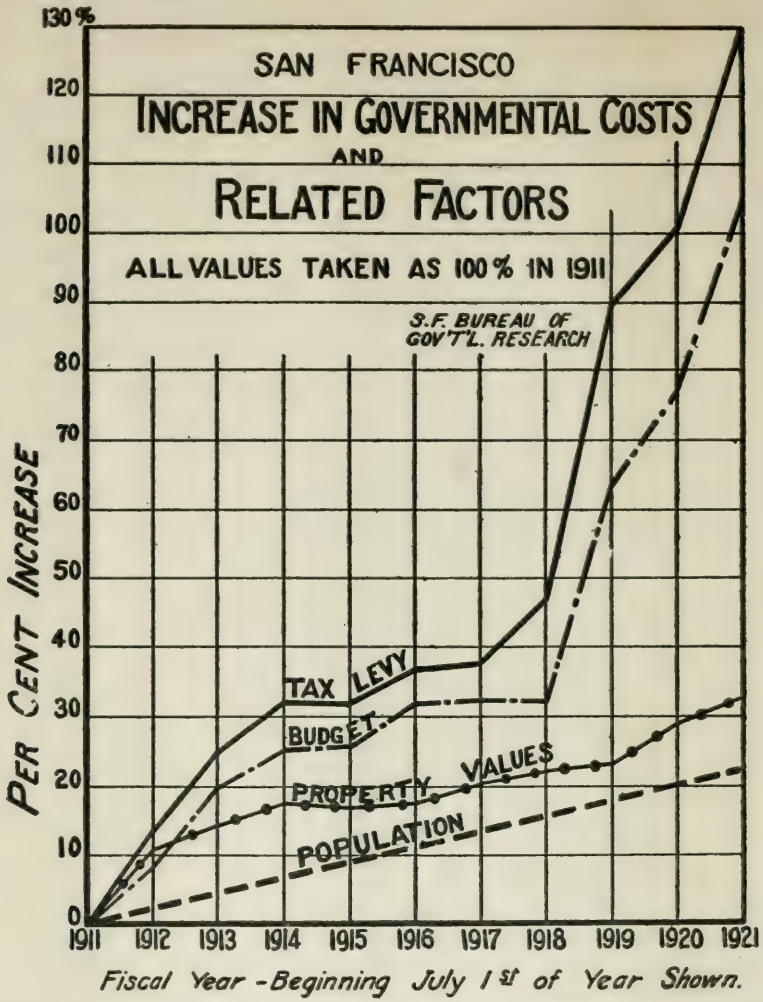
A Bond Issue for Schools? For some time there have been rumors of a bond issue for schools, to relieve the tax rate and to overtake our school building needs; recent newspaper articles have discussed a proposed $10,000,000 issue. In March, the Bureau proposed the formulation of a five or six-year building program, to meet the situation and avoid the necessity of a bond issue. School extension, except for the occasional monumental structure, is in the nature of a current expense, and should be financed on the pay-as-you-go plan.

Bond issues cost from $150 to $175 for each $100 value of schools built, and pass the cost on to future generations which will have their own school problems to meet. A bond issue will not produce actual classrooms available for use with any greater speed than a pay-as-you-go policy. When the $1,700,000 was provided in the current budget for schools, it was a question whether it could be spent in the twelve months, due to the physical difficulties of acquiring land, preparing plans, etc.

By far the better policy would be to continue on the pay-as-you-go basis that was adopted by the Supervisors in 1920 and continued and augmented last year. Annual appropriations of $1,500,000, which, with business-like retrenchment, could be provided without increase in the tax rate, would probably meet our school needs in six years, *which time could probably not be improved upon by a bond issue;* we would then have $9,000,000 worth of schools which would have cost $9,000,000 instead of approximately $15,000,000. If the $3.47 tax rate of last year was a legal rate, the legal rate for this year will be at least 15 cents higher; the tax-rate limit is no bar to the continuation of the pay-as-you-go policy.

The Finance Committee, in its 1921-22 budget report to the Supervisors last May, stated: "The Committee, after long consideration, earnestly recommends the pay-as-you-go plan for schools, and we recommend an appropriation of $1,700,000 for school buildings, additional lands and repairs. This approximates 30 cents in the tax rate.

"By adopting this plan the city will re-establish our school system, and



in the long run save the taxpayers an immense amount of money. *We urge that no more bond issues for schools be considered.* The interest and redemption on bonds, spread over a long period of years, multiplies the cost of the improvements. It is better economics to pay as you go.

"On the pay-as-you-go plan an annual appropriation of 30 cents will, in not more than five years, put the San Francisco schools in excellent condition, and provide required yard space; at the end of that period a special tax of 10 cents will meet the annual growth of the department."

Bond issues have their definite place in municipal financing, to provide comprehensive public improvements that are needed but are beyond our immediate capacity from current revenues; bond issues for school expansion, however, simply pass on expenditures, that we ourselves should meet, at greatly increased aggregate cost.

5-8-21

COMPARATIVE SUMMARY

1922-23 BUDGET ESTIMATES

OF THE

CITY AND COUNTY OF SAN FRANCISCO

SUMMARIZED BY THE

San Francisco Bureau of Governmental Research

NOTE: A complete and accurate comparative recapitulation by objects of expenditure could not be set up, by reason of lump sum appropriation in current budget, lack of uniformity and complete detail in the budget estimates for next year, and lack of any budget estimate for many items. "Contractual Services" and "Materials and Supplies" had to be lumped as "Other Than Personal Service"; this classification also includes lump sum items, part at least of which in many cases is "Personal Service." In some cases, segregations are only approximate, due to necessity for estimating. The summary is accurate as to totals of departments, bureaus, and the budget as a whole, but the accuracy of the object of expenditure detail is subject to the variations arising from the conditions mentioned above.

Fiscal Years 1921-22 and 1922-23

DEPARTMENTAL ESTIMATES

	1921-22 Budget Allowance	Budget Request Actual	1922-23 Increase (Decrease)	Proposed Reduction
Adult Probation Dept	$ 19 100	$ 23 100	$ 4,000	$ 6,060
Assessor	$ 162 500	$ 173 200	$ 10 700	$ 45,120
Auditor	$ 64 340	$ 61 460	$ 2 880	$ 7 900
City Attorney	$ 50 700	$ 51 400	$ 700	
City Planning Comm	$ 5,000	$ 7 700	$ 2,700	
Civil Service Comm	$ 25 250	$ 26 750	$ 1,500	$ 2 010
Coroner	$ 34 280	$ 41 800	$ 7 520	$ 15 320
County Clerk	$ 159 990	$ 172 000	$ 12,010	$ 52 305
District Attorney	$ 84 200	$ 88 400	$ 4 200	$ 8 860
Dept. of Elections	$ 314 655	$ 316 650	$ 1 995	$ 3 680
Dept. of Electricity	$ 148 630	$ 157 475	$ 8,845	$ 12 355
Fire Dept	$ 2 484 778	$ 2 817 831	$ 333,053	$ 278 195
Health Department	$ 1 445 823	$ 1 733 857	$ 287 034	$ 330 053
Central Office	$ 312,143	$ 386,076	$ 73,933	$ 53,800
Relief Home	$ 317 025	$ 327 408	$ 10 383	$ 26 735
Isolation Hospital	$ 38 250	$ 43 48[illegible]	$ 5 232	$ 5 250
San Francisco Hospital	$ 644 042	$ 815 28[illegible]	$ 171 246	$ 119 278
Emergency Hospitals	$ 135 363	$ 161 60[illegible]	$ 26 210	$ 25 010
Justices Courts	$ 39 420	$ 42 76[illegible]	$ 3 344	$ 5 354
Juvenile Court	$ 43 200	$ 56 56[illegible]	$ 13 362	$ 8,836
Juvenile Detention Home	$ 27 580	$ 48 11[illegible]	$ 20 53[illegible]	$ 18 870
Law Library	$ 5 700	$ 5 700		
Mayor	$ 15 180	$ [illegible]180	$	$ 2 040
Park Dept	$ 409 000	$ [illegible]	$ 138,500	$
Playground Dept	$ 153 664	$ [illegible]	$ 87 69[illegible]	$ 21 440
Police Dept	$ 2 261 932	$ 2 [illegible] 106	$ 206 174	$ 144 97[illegible]
Public Defender	$	$ 22 500	$ 22 500	$ 12 900
Public Library	$ 185 000	$ 2[illegible] 000	$ 43 000	
Dept. of Public Works	$ [illegible]	$ [illegible]	$ [illegible]	$ 310 92[illegible]
General Office	$ 12 240	$ 12 540	$ 300	$ 1 440
Bur. of Accounting	$ [illegible] 900	$ [illegible]	$ 540	$ 4 950
Bur. of Architecture	$ 11 700	$ 12 [illegible]	$ 600	$ 420
Bur. of Buildings	$ 181 985	$ [illegible]	$ 34 105	$ 57 415
Streets and Sewers	$ 62 14[illegible]	$ [illegible]	$ [illegible]	$ 19 051
Bur. of Building Insp.	$ 51 500	$ [illegible]	$ 1 900	$ 5 580
Bur. of Engineering	$ 193 890	$ 204 265	$ 10,375	$ 28 065
Bur. of Street Repair	$ 29[illegible] 300	$ 355 30[illegible]	$ 58 001	$ 59 010
Bridges	$ 48 550	$ 51 245	$ 2 695	$ 6 905
Bur. of Street Cleaning	$ 512 495	$ 491 485	$ 41 010	$ 76 895
Bur. of Sewers	$ 253 200	$ 267 785	$ 14 585	$ 49 576
Sewage Pumping	$ [illegible]	$ 4 540	$ 80	$ 3 580
General Maintenance	$ 16 300	$ 16 900	$ 600	$ 1 550
Municipal Water Works	$ [illegible] 000	$ 5 600	$ 400	$ 480
Recorder	$ 95 280	$ 116 440	$ 21 160	$ 22 400
School Dept	$ 4 444 088	$ 5 100 158	$ 656 070	$
Sealer	$ [illegible]	$ 21 600	$ 6 100	$ 1 540
Sheriff	$ [illegible]49 910	$ 262 480	$ 12 570	$ 58 120
Superior Courts	$ 127 000	$ 150 150	$ 23 150	$ 2 490
Support Committee	$ 5 000	$ 20 000	$ 5 000	
Tax Collector	$ 110 000	$ 117 79[illegible]	$ [illegible]	$ 25 613
Treasurer	$ [illegible]	$ 35 144	$ 594	$ 6 360
Widows Pension Bureau	$ [illegible]	$ 10 120	$ 480	$ 1 610
Miscellaneous				
Mazda ...	10 000	9 000	2 000	
Maintenance ...	10 000	16 400	6 400	
Maintenance ...	439 000	504 700	65 900	14 900
Public ...	12 000	12 000		
State Schools	15 000	19 400	4 400	
Widows Pensions	265 000	290 000	25 000	
Total, Departmental Estimates	$15 [illegible]	$17 [illegible]	$2 071 505	$1 300 413

MISCELLANEOUS ESTIMATES

	1921-22 Budget Allowance	Budget Request (Estimated)	1922-23 Increase (Decrease)	Proposed Reduction
Board of Administration	$ 50,000	$ 295,000	$ 245,000	$
Other than Personal Service	10 000	10 000		
Fixed Charges	40 000	285 000	2[illegible] 000	
Fire Relief & Pension	$ 209,000	$ 280 000	$ 71,000	
Fixed Charges	209 000	280 000	71 000	
Police Courts	$ 24,000	$ 24,000		
Personal Services	24 000	24 000		
Police Relief & Pensions	$ 75,000	$ 115,000	$ 40,000	
Fixed Charges	75 000	115 000	40,000	
Board of Supervisors	$ 1 076,020	$ 1,106,820	$ 30,800	
Personal Service	113 020	113,020		
Personal Service ...	6 000		(− 6,000)	
Other than Personal				
Supervisors Expenses	5,000	5,000		
Finance Comm. Expenses	5,000	5,000		
Horticult. Comm'r Exp	1 800	1 800		
Advertis. & Resolutions, Etc.	22,500	34 000	11,500	
Urgent Necessity Fund	100 000	100 000		
Printing Public Documents	4,000	4 000		
Law & Motion Calendar	8,000	8 000		
Celebration July 4th	2,500	2 500		
Memorial Day Observance	500	500		
Municipal Band	10,000	10,000		
Interment Soldiers	6,000	6 000		
Examination of Insane	10 000	10 000		
Maint. Insane Criminals	4,000	4,000		
Lighting Streets	540,000	565 000	25,000	
Block Books	4,500	4 000	(−500)	
County Road Fund	1 000	1 000		
Auditorium	10 000	10,000		
Publicity and Ads	30,000	30 000		
Feeble Minded Home	80 000	80,000		
City Hall Garage	4 000	4,000		
Transp. Supt. Schools	1 200	2,000	800	
Misc. Bld'g Rep'r	15 000	15 000		
Stationery, Etc.	80,000	80,000		
Fixed Charges				
Premium on Bonds	5 000	5 000		
Relief Exempt Firemen	5,000	5 000		
Total, Misc. Estimates	$1 434,020	$1 820 820	$38[illegible],800	$

BOND INTEREST AND REDEMPTION

	Year	1921-22	Estimated	Increase (Decrease)	Proposed Reduction
Interest		$2,063 973	$2,555,287	$491,314	$
Park Extension	1904	6 601	[illegible]	(287)	
Library	1904	33 160	26 [illegible]	(6,439)	
Mission Park	1904	5 876	5 621	(255)	
Playgrounds	1904	14 893	14 245	(− 648)	
School	1904	3 163		(− 3 163)	
Redemption		2 352 400	2,437 600	85,200	$
School	1918		175 000	175,000	
Total Bond Interest & Redemption		$4 416,373	$4,992,887	$576,514	$

IMPROVEMENTS

	1921-22	Actual	Increase (Decrease)	Proposed Reduction
Fire Department	$ 55 000	$	$ (58,000)	$
Health Department		$ 2,046 935	$2,046,935	
Park Department	$ 185 000	$ 626,000	$ 441,000	
Playground Dept	$ 10 000	$ 291 000	$ 281,000	
Dept. of Public Works	$ 272 500	$ 913 000	$ 640,500	
School Dept	$ 1 700,000	$1 555,000	$ (145,000)	
Board of Supervisors	$ 471 000	$ 401 000	$ (−70,000)	
Total, Bldgs., Land and Improv.	$ 2 692 500	$ 5 811 935	$3,119 435	$
Grand Total	$24,466,580	$30,640 934	$6 174,354	$1 300,413

RECAPITULATION

Objects of Expenditure				
Personal Service	$1[illegible]	$1[illegible]	$1[illegible]	$ [illegible]
Other than Personal Service	3 546 330	[illegible]	[illegible]	196 310
Fixed Charges	[illegible]	[illegible]	[illegible]	3 400
Equipment	[illegible]	[illegible]	[illegible]	109 204
Improvements	2 692 500	5 811 935	3 119 435	
Total	$2[illegible]	$[illegible]	$5 [illegible]	$1 2[illegible]
Not Segregated				
[illegible]	439 000	[illegible]	[illegible]	
[illegible]	[illegible]	161 [illegible]	[illegible]	23 840
[illegible]	85 000	28 000	43 000	
Grand Total	$24 466 580	$30 640 934	$6 1[illegible]	$1 300 4[illegible]

The City

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VOL. II JUNE . 1922 NO. 9

The Passing of the 1922-23 Budget

A Dangerous Change in the Retirement System

Unbusinesslike Budget Procedure

Important Municipal Events

Issued by

San Francisco

Bureau of Governmental Research

128 Sutter Street San Francisco, California

The City

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The Passage of the 1922-23 Budget

The 1922-23 budget, totaling $24,892,678, and requiring a tax rate of approximately $3.434, with its approval by the Mayor on June 10th, is now a matter of history. Attempts will probably be made, when the tax rate is fixed, to levy amounts in addition to budget allowances as follows: (1) An additional 5c tax ($310,000) as San Francisco's initial contribution toward the cost of the East Side Highway and bridge; (2) an additional 9c tax ($570,000) to provide $1,500,000 for new schools ($930,000 allowed in the budget) to continue school construction on the pay-as-you-go plan and obviate the need of a $10,000,000 bond issue at an aggregate cost of about $15,500,000.

The 1922-23 budget, considered as a twelve-months program of municipal activities, leaves much to be desired when compared with the budget for the current year just closing. It is to be commended for the necessary and desirable increases it provides to cover additional school, library, park, playground and health services; these are the sort of things by which a community's progress is measured, and the things of greatest direct benefit to citizens.

These are provided, however, only at the expense of public improvements. The current year's budget of approximately $24,500,000 provided almost $2,700,000 or 11% for improvements and stressed the pay-as-you-go policy for school buildings, for which $1,700,000 was provided. The new budget of approximately $24,900,000 provides only $1,842,000 or 7% for improvements—a decrease of 32% compared with the current budget. The sum of $930,000 is allowed for school buildings, but this provides only about $415,000 for new construction; the five-year pay-as-you-go program, instituted last year, is practically abandoned and resort to a bond issue is recommended.

The public demand for relief from taxation is met by a 3½c cut. Improvements are lopped $850,000 to provide for necessary expansions of service and some that are unnecesary, and to maintain the status quo of salaries, wages and some obsolete operating methods. A costly bond issue is proposed to offset the cut in appropriations for improvements. The financial plan as a whole represents no reduction in costs, and no economy, but only a shifting of part of the burden at a tremendous increase in cost.

A consideration of the sequence of events would seem to indicate that the budget was compiled by first determining what the tax rate should be, and then whittling the allowances down to the point where their total would fit the predetermined rate. Such procedure would account for the changed viewpoint re the pay-as-you-go policy for schools; the unexpected proposal, with no previous public discussion or hearings, of a bond issue for schools; the disregard of the financial provisions of the Retirement System, agreed upon only last February; the reduced appropriation for streets, etc.

Early in April, the press reported the Chairman of the Finance Committee as stating in a public address that a way to reduce taxation had presented itself; that bond interest and redemption requirements had passed the peak and would thereafter automatically decrease; and that the sum that could be lopped off the present rate would probably be "more than a few cents." To the contrary, both interest and redemption requirements were due for an unavoidable increase. Bond redemption reaches its peak next year. Bond interest charges will continue to increase until revenue is received from the Moccasin Creek power project.

If officials considered themselves irrevocably committed to a decreased rate, on the basis of public presentation of any such incorrect assumption, and if the expected "automatic reduction" in bond cost was not a decrease but actually a large increase, the municipal program and financial policy laid down by the 1922-23 budget can be better understood.

The Finance Committee's report of the budget was submitted to the Supervisors on Monday, May 15th, which under the rules of the Board is the final date for submission. The public hearing required by the Charter was set for Wednesday, May 17th, at 10 A.M., and was completed the same day. Thursday, May 18th, at 2 P.M., was fixed as the time for consideration of the budget by the Supervisors. This session was continued throughout Thursday evening and Friday morning until the budget was completely disposed of by "passage to print" at 3 A.M. Friday, May 19th.

The Finance Committee, at the start of the hearing, offered certain amendments, transferring $75,000 from the Esplanade appropriation to the Employees Retirement appropriation and revising the streets listed for reconstruction. These amendments were adopted by the Board, as well as three other amendments proposed during detailed consideration, the principal one being an additional appropriation of $100,000 for Islais Creek Sewer.

This sequence of events is the most expeditious of any of the budget hear-

ings in years; too expeditious in fact to permit of careful analysis of the Finance Committee's proposals by Supervisors, other officials and citizens. The final date under the Charter for "passage to print" was Saturday, May 27th. In previous years it has been the custom to receive the Finance Committee's budget and postpone consideration for a week to permit of some scrutiny of the proposals. This year, the proposals involved not only the 552 budget items totaling close to $25,000,000, but also the bond issue policy for financing school construction.

The new budget again fails to segregate the non-personal services, and continues the unbusinesslike and undesirable practice of lump-sum appropriations for the Public Works, Public Health, Park, Playground and Library Departments. Lump-sum allowances are absolutely unintelligible to officials and citizens and prevent intelligent arguments for or protests against specific items presumed to be covered by the respective lump sum allowances. From the standpoint of public information and Supervisorial action, these are meaningless.

From the standpoint of control, although the detail of these specific items might be ignored by the departments, the record would be clear as to the detail on which the total allowance was based. Consideration during the year of departmental requests for supplemental appropriations, and budget-making the next ensuing year, would be tremendously simplified by having this detail of allowances for comparison with detail of expenditures.

The new budget does not include any estimate of revenues to fund the expenditure program. This is essential fiscal information which should be a fundamental part of any budget but which is always omitted in San Francisco.

The new budget continues the practice—unsound from an organization standpoint—of retaining under Supervisorial control (in some cases, illegally) many appropriations that should be made to the several departments. The so-called "Supervisors' Appropriations" for next year total over $3,600,000, and include appropriations for schools, street lighting, public improvements and buildings, social services, playgrounds, park lands, reconstruction of streets, etc.

To summarize, the new budget as next year's municipal program, (1) is retrogressive in comparison with the current budget; (2) fails to recognize, financially, the altered conditions affecting public employment, and the public demand for tax relief; (3) scraps a sound economical policy for school construction and substitutes a more costly policy; and (4) as a financial instrument, is not so framed as to be readily understood, properly administered, and to permit of centralized control by the Supervisors within the limits of their Charter powers.

Charter amendment is required to establish full control in the Supervisors; Charter amendment, to fix definite duties and responsibilities, will

Supplementing "A Dangerous Change in the Retirement System"

Subsequent to going to print, the Supervisors' Civil Service and Retirement Committee, on Thursday, June 15, decided to recommend against the proposed amendment to the retirement ordinance, discussed in this issue, and to recommend as a substitute an amendment proposed by the Board of Administration and the Bureau of Governmental Research, exempting from membership in the retirement system employees being paid $500 per month or over, who are not now members of the system. This was accepted by Supervisor Ralph McLeran, the mover of the original proposed amendment. The substitute accomplishes the same purpose as the original proposal, but keeps the administration of the system free from politics and influence.

probably also be necessary, to cause the Supervisors to exercise their present Charter powers.

A Dangerous Change in the Retirement System

Two years ago, a Charter amendment, which was supported by practically every organization in the City, was approved by vote of the people, authorizing the Supervisors to establish a retirement system for city employees. Last February the Board of Supervisors adopted an ordinance establishing the system. Both the Charter and the existing ordinance provide that retirement shall be compulsory at age 70.

On May 22nd, an amendment was proposed to the existing ordinance, and was referred to committee. This is designed to permit of the reemployment of city employees who have attained age 70,—if application for such reemployment is filed by the head of the department and approved by the Board of Administration—on the grounds of "ability resulting from his service with the City" and "for the performance of duties requiring professional or technical skill and qualifications peculiar to the employment."

The specific purpose of the proposed amendment is to enable the City to retain the services of the Superintendent of Parks, who would otherwise be retired July 1st of this year, and the City Engineer, who might be forced to retire eleven years hence. Desirable as the intent may be, the proposed amendment would, however, (1) have the unfortunate effect of defeating a fundamental provision of the system; (2) enormously multiply the difficulties of administration and open the door to favoritism and the use of influence; and (3) be clearly illegal under the Charter, which unequivocally requires "retirement shall be compulsory at the age of 70."

The system was designed in the interests of efficiency of city service as well as in the interests of employees. Under the proposed amendment, practically every employee whose work is at all specialized, no matter how routine in character, could have the same right to consideration for reemployment after attaining age 70. If the proposed ordinance is adopted by the Supervisors, the system will be so changed as to merit the opposition of those citizens who voted for the Charter amendment and approved of the ordinance establishing the system.

In view of the clear illegality of the proposed ordinance, and the danger it would create to the entire system, the Bureau of Governmental Research has recommended to the Supervisors that it be not passed; and further, that to retain the services of the officials mentioned, they be specifically excluded from membership in the system by amending the provisions of Section 4-b of the existing ordinance. By such exclusion from membership—which was discussed as the proper solution during the public hearings on the Retirement System last January—these officials would not be affected by the compulsory retirement provisions of the Charter and ordinance, and could be continued in the city service regardless of age.

Unbusinesslike Budget Procedure

CHARTER ARTICLE NO. 6

Although San Francisco has operated under a budget system for years, it is plain to anyone familiar with the City's fiscal procedure that a budget system does not of itself, and automatically, bring about economy in public expenditures. It offers the machinery for economy; if it is considered as an ornament rather than a mechanism, it will fail to function properly. Furthermore, a budget system in San Francisco suffers from the handicap previously mentioned in these columns, of lack of centralized executive control, in that many expending departments are independent of any control by the budget-making body.

If the budget is not detailed so that it may be analyzed; if it is not sufficiently intelligible so that the program of service contemplated by the appropriations is easily apparent; if it is considered purely as an estimate and not as an expenditure program to be lived up to; if it shows only contemplated expenditures and omits expected revenues; and if much of its detail is absolutely meaningless to any citizen or official except those officials who compile it—if these factors prevail, as they do in the case of the San Francisco procedure, then it is a budget principally as a matter of nomenclature and will operate imperfectly, if at all, as a means of economy.

Some of the Charter provisions relative to the budget are: (1) The various departments shall submit to the Supervisors an estimate of their expenditures for the coming fiscal year; (2) The Auditor shall also transmit an estimate of probable expenditures; (3) The Supervisors shall, between the first Mondays of May and June, after public hearing, make a budget for the next fiscal year, in such detail as they shall deem advisable; (4) The Mayor may veto the budget in whole or in part, and fifteen votes shall be required to overcome such veto; (5) Surpluses at the end of each fiscal year, except those in certain specified funds, shall be transferred to a surplus fund; (6) independent power in expending funds is invested in the boards controlling the Health, Public Works, Park, Playground, Library and School Departments.

The Charter provisions furnish sufficient authority to the Supervisors to create and maintain efficient, businesslike budget procedure. That this is not done is due to the fact, as has been previously remarked, that where authority is granted without fixing responsibility, authority will seldom be exercised.

Each year's budget includes millions of dollars in lump sums, the detail of which is shown only in the Finance Committee's informal records, and thus balanced consideration and analysis of the things provided in such lump sums is impossible. The independent expending power granted by charter to various departments enumerated above, has been stated as justifying lump sum appropriations; these, however, simply operate to further

confuse financial control, which is unwisely decentralized by the Charter.

During the fiscal year, the budget is considered purely and simply as "an estimate." Revenues received in excess of amounts estimated to be received, and unexpended balances in appropriations, are used to supplement the budget, to provide for items not provided in the original budget, or to increase amounts originally appropriated. The lack of detail for lump sum appropriations renders the Finance Committee powerless to control deficits of departments to which lump sum appropriations are made. This destroys the principle of economy on which the budget system is based, and establishes a preferred class of expenditures that are not subject to the analysis and scrutiny of items included in the budget as passed by the Supervisors.

It is the policy of the city that no surpluses shall be permitted to exist at the end of any fiscal year. Revenues in excess of estimates, and unexpended balances in any fund are therefor expended, before they become "surplus." The purpose of this is to evade the payment of tax judgments, which the courts have held are payable only out of annual surpluses. Judgments on file with the County Clerk, total $760,000; these have been pending for years by reason of the fact that there never are any surpluses.

The policy is based on the theory that only wealthy tax payers can finance court proceedings in the case of an illegal tax rate; and if a tax rate is declared illegal by the courts, it is only such wealthy tax payers who secure judgments. It is held that the payment of these tax judgments out of general taxation would be a discrimination against the smaller tax payers and on this ground, the policy of preventing surpluses has been followed.

Without discussing this reasoning, the effect of such a policy operates further to nullify the economy that might be expected from budget operation. To prevent the payment of these judgments ($760,000), revenues totaling $1,459,000 in excess of original annual estimates, have been expended in the last four complete fiscal years; the total of budget appropriation balances transferred and re-appropriated add materially to this sum. These amounts would normally go to surplus, to apply on the next ensuing fiscal year's requirements, and their expenditure for budgeted items would then be subject to the scrutiny of the whole Board. Until the City faces and disposes of this matter of tax judgments, a budget procedure that will be lived up to and that will produce economy in municipal expenditures can not be expected.

The best budget system is the so-called "Executive Budget" under which the executive makes up the budget in consultation with his various department heads, on the basis of the relative necessity and desirability of functions and the needs of all sections. The executive's proposed budget is then submitted, with full information, to the legislative body. When passed by such body, the executive is responsible for all expenditures, which cannot exceed allowances, and his subordinates are responsible to him for departmental expenditures.

San Francisco cannot consider the "Executive Budget" until the municipal organization is reconstructed to provide for centralized executive power, authority, and responsibility for all municipal functions. When, by Charter amendment, this can be provided, San Francisco can have a budget procedure that will represent an expenditure program for the city's needs, drafted in such a way as to be intelligible to every citizen and official, that will stimulate economy by requiring that the city as a whole and the individual departments live within the funds provided, and that will carry surplus revenues and unexpended appropriations over to relieve the tax burden of the next ensuing fiscal year.

Important Municipal Events

Proposed School Bond Issue — Consideration of Supervisor McLeran's resolution, requesting Board of Education to submit program and recommend a bond issue, postponed from May 29th to June 26th. Report of Bureau, May 29th, to Supervisors, opposing bond issue. (Special Bureau article will be issued on this next week.)

City Purchasing Procedure—City Attorney's opinion—in response to Supervisor Rossi's resolution of March 6th designed to clarify a vague and ambiguous provision of the Charter—advises that centralized purchasing power is not vested in the Board of Supervisors. Supervisor Rossi on May 29th offered a proposed Charter amendment designed to centralize all purchasing, except for School Department, under the Supervisors.

Municipal Railway Extensions—To date no report by the joint Public Utility and Finance Committee on the matter of Municipal Railway extensions and finances, referred to joint committee March 27th. Only committee hearing held on April 5th. Second hearing, set for May 3rd, postponed on account of budget.

Criticism of Bond Sales—Resolution by Supervisor McSheehy on May 8th, requests information on city bond sales. Charter amendment proposed, designed to prevent City from giving options to govern future sales of bonds. The transactions questioned are, (1) sale in August, 1921, of $13,306,000 of 4½% water bonds, proceeds $11,290,926; and, (2) sale in November, 1921, of $8,520,000 of 4½% water bonds, proceeds $7,646,536.

Salary Standardization—Supervisors' Civil Service and Salary Standardization Committee proposed April 25th, that base rate for city clerical service be reduced to $125 per month.

Pay in the Field—Auditor to initiate payment in field of per diem employees, starting mid-July pay day. This proposal has been agitated since 1912. Estimated saving of time now lost, $70,000 to $100,000 per year.

SPECIAL ISSUE

The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

VOL. II JUNE . 1922 No. 10

The Proposed Bond Issue for Schools

If administrative waste that would amount to 5½ millions, or any considerable part thereof, were to be reported, the news would be "front page stuff" and the administration and the citizen body would be aroused.

The question of policy involved in the proposed school bond issue has little of the spectacular to arrest the public interest. It isn't "front page stuff," but the manner in which it is settled will mean $5,400,000 to San Francisco taxpayers.

$10,000,000 Worth of Schools---?

Bond Issue, $15,424,750
or
Pay-As-You Go, $10,000,000

Issued by

San Francisco

Bureau of Governmental Research

58 Sutter Street San Francisco, California

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The Proposed Bond Issue for Schools

San Francisco needs schools and must spend millions during the next few years to meet its school needs. The Finance Committee of the Board of Supervisors, reversing the pay-as-you-go policy established only last year, now proposes that the situation be met by a bond issue. The question that must be squarely faced is—Shall we issue bonds and pay $154 for each $100 worth of schools built?—or—Shall we continue the pay-as-you-go policy and save the extra $54 cost per $100?

If $10,000,000 is contemplated as the amount of the proposed bond issue, as stated by the press, it involves an added tax cost of over $5,400,000 —far in excess of any possible administrative waste over a period of years. The policy to be established is one of the most important municipal questions in years, and although the situation has none of the elements of the spectacular, it merits wide public iterest.

Last year, the Finance Committee in allowing $1,700,000 for school buildings, strongly urged the pay-as-you-go plan, stating:

"By adopting this plan, the City will re-establish our school system, and in the long run save the taxpayers an immense amount of money. We urge that no more bond issues for schools be considered. The interest and redemption on bonds, spread over a long period of years, multiplies the cost of these improvements. It is better economics to pay as you go. On the pay-as-you-go plan, an annual appropriation of 30c will, in not more than five years, put the San Francisco schools in excellent condition, and provide required yard space; at the end of that period a special tax of 10c will meet the annual growth of the department."

One year later, on May 15th last, the Finance Committee, without previous public discussion or hearings, launched the bond issue proposal as part of its budget report to the Supervisors, and cut the allowance for school buildings, repairs and land to $930,000. A reduced tax rate was probably considered of predominating importance; some additional services had to be provided, the reduction of existing costs was not considered practicable, and therefore a bond issue to shift part of the burden was the only remaining course.

Following the passage of the budget, Supervisor McLeran, Chairman of the Finance Committee, introduced a resolution calling on the Board of Education to recommend a school construction program and a bond issue to finance such a program. Action on the resolution has been postponed three times, and is now put over until July 3rd or 10th—pending Supervisor McLeran's return from Hawaii.

The resolution states that the proposed bond issue is necessary, for two reasons—that the $930,000 appropriated, equivalent to 15c on the rate, is the maximum permitted by law; and that it is the maximum that the Board of Education can properly expend in one year. The Bureau disagrees with the Chairman of the Finance Committee on both points and on May 29th filed a report with the Board of Supervisors, outlining in detail its basis for such disagreement.

Section 1838 of the Political Code, has been cited as the legal limitation on school building appropriations; this limits the tax for school buildings to 15c (equivalent to $930,000), but applies only to *district or elementary schools.* Section 1755, Political Code, which deals with *high school buildings,* limits expenditures only by the provision that the tax for buildings and all other high school purposes shall not exceed 75c. A rate of 75c would produce $4,650,000; maximum high school expenditures will not exceed $1,550,000, leaving $3,100,000 or 50c on the rate, that may legally be appropriated for buildings. The $400,000 for Richmond Junior High School can be appropriated under this section; and according to the Superintendent of Public Instruction, buildings constructed from high school funds can legally be used for elementary schools if such use is on a rental basis.

In addition to school appropriations authorized by State laws, funds can be appropriated for school purposes, under Charter authority, up to the $1.65 Charter tax rate limitation. This has been recognized in the fixing of previous tax rates and is also the opinion of the Superintendent of Public Instruction. Under such authority, it is tentatively estimated that 16c or $992,000 can be legally appropriated.

On the basis of the above, the appropriation permitted by law, instead of a maximum of $930,000 as claimed, will range from $2,322,000, (if only $400,000 for Richmond Junior High School is appropriated under Section 1755, Political Code) to a maximum of $5,022,000.

The other reason given for the bond issue proposal is that the appropriation of $930,000 is all that the Board of Education can properly expend. During Supervisorial consideration of the budget it was brought out that only $415,000 will be available for new construction and land, after allowing for repairs and miscellaneous additions. This amount is only sufficient for the Richmond Junior High School if this is built during the next fiscal year as planned. It cannot be seriously contended that one school represents the maximum program that can be initiated in twelve months by the Board of Education.

It is entirely irrelevant, however, whether the $930,000 appropriation is, or is not, all that can be spent or encumbered during the next fiscal year. Whatever sum is allowed can be appropriated either to the School Department or to a Public Building Fund. Under the Charter, unexpended balances at the end of any fiscal year in either of these funds, are automatically carried over to the next ensuing year; they do not revert to "surplus," as do balances in most of the other funds of the city. Therefore a building program contemplated by a budget appropriation of any amount can be carried out just as safely and uninterruptedly with budget funds as with bond funds.

On the basis of 4½% interest, 20-year serial bonds, proceeds to be spent in seven years, and annual redemption of $500,000 starting the sixth year,—a $10,000,000 bond issue will cost $15,424,750, or a total of $2.49 on the tax rate. To build the same amount of schools in the same seven-year period, on the pay-as-you-go plan, the cost would be $10,000,000 or $1.61 on the tax rate. Next year's proposed 2c or 3c tax-rate cut will therefore cost each taxpayer 88c and will represent a rather costly "saving."

Bonds are easy to propose. From the political angle, they postpone taxation to some future administration. From the taxpayers' viewpoint, bonds are often voted on the theory of getting something for nothing. The tremendously increased cost, due to interest and future redemption, is seldom realized.

The bond issue proposal should be abandoned and the pay-as-you-go plan initiated last year should be continued by increasing the levy for school buildings (from $930,000 to $1,500,000) when the tax rate is fixed in September. This will add 9c to the rate for this year, but it will (1) save $5,400,000 to the taxpayers; (2) continue the sound economic policy of financing current outlays out of current revenues; (3) insure the speedy construction of schools; (4) relieve the school situation of the hazards of a bond election, and (5) avoid interference with other municipal projects such as Market Street Railway and Spring Valley purchase, which—our present limit for new debt being less than $19,000,000—may be held up for years by a large school-bond issue, if carried.

The City

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Bureau Publicity

San Francisco's Civil Service Procedure
Charter Article No. 7

Important Municipal Events

Tax Judgments and the Budget

When Will Deflation Affect Taxation?

The Difficulties of Retrenchment

Issued by

San Francisco
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Bureau Publicity

The question of the best medium for the discussion of facts relative to the business of government is a continually perplexing one to all municipal research bureaus. The form originally developed by the New York Bureau of Municipal Research, and which seems to be preferred by many of the bureaus, is a weekly publication of double-postcard size, each issue being restricted to a single subject, usually of local import, but sometimes of general interest or educational value.

The Philadelphia Bureau has for years maintained such a publication, under the name of "Citizens' Business." Through the co-operation of this bureau, and in an effort to learn whether a weekly issue of this type would be preferred by our readers to the form of "The City"—monthly, usually eight pages, and containing discussions of several subjects—we are enclosing a copy of the July 6th issue of "Citizens' Business," and would appreciate expressions from all readers of "The City" as to their individual preferences.

San Francisco's Civil Service Procedure

CHARTER ARTICLE NO. 7

Effective Civil Service is more a matter of administration than of law; the attitude of individual commissioners and officials of an administration, and the rule-making power vested in a Civil Service Commission, determine the manner in which the spirit of Civil Service shall be applied to the public service. The law serves principally as a grant of power, and to establish certain restrictions and responsibilities, which even a hostile commission or administration cannot break down or evade.

The San Francisco law, as established by Article XIII of the Charter, compares favorably with that of other cities, excepting only those that

have modern charters. Its principal defects are the provisions governing dismissals and temporary appointments, the omission of prohibition of political activities, and the large number of exemptions. The only criticism of the provisions governing examination, rating and eligible lists is that no period is specified as the life of any eligible list. Expiration in two years is usually specified in other Civil Service laws.

The charter probably empowers the Commission to classify positions and standardize salaries, but this has never been determined, and the power has not been exercised. Salary standardization, however, could be only partially effective by reason of the numerous salaries fixed by charter, and independent salary-fixing powers of the Health, Works, Playground, Park, Library and School Departments.

The temporary-appointment provision, which is defective in not being more specific, provides that a department head may, with the approval of the Commission, make temporary appointments "to remain in force not exceeding sixty days and only until regular appointments, under the provisions of this article, can be made." The clear intent is that they shall be limited to sixty days, and that within that time an examination "can" and will be held to establish an eligible list. For important positions, however, the examination may never be called. By the periodic renewal of the "temporary appointments," some officials have been employed for years,—the outstanding "temporary appointment" continued the same man in employment for over nineteen years.

Promotional examinations are restricted to employees of the next lower grade; by such restriction, seniority is given greater weight than efficiency, and qualified persons may be prevented from entering the public service, by being ineligible except for the lowest ranks. Promotion is further restricted by the exemption from Civil Service of chief deputies and heads of departments. Promotional examinations should be open, except for the fire and police services; or it should at least be optional with the Commission to order an examination open or closed.

The provisions relating to probation and dismissal are defective; they weaken executive authority of department heads, and furnish an excuse, if not an actual reason, for lack of proper direction and control by executives. During the specified six-months probational period, the employee is presumed to be on trial and subject to dismissal for unfitness or other cause, without any formality. The charter, however, requires the Commission's consent to such discharge, and as this has operated, dismissals of probationers are subject to hearing and trial in the same manner as dismissals of permanent employees.

Department heads are empowered to hear charges and dismiss employees for cause, subject to review by the Commission on the appeal of the employee. This provision of public trial before dismissal, which formerly was considered essential in a good Civil Service law, results in the average

executive refusing to exercise his ostensible power, except in the most aggravated cases, by reason of the fact that he is liable to be made the subject of the hearing, rather than the employee whose dismissal is sought. It is this provision,—which places perpetuation of employment above efficiency of the service, and which hampers proper executive control,—that is the cause of much of the complaint against Civil Service. (Department heads are granted disciplinary power to suspend without pay for 30 days or less, but this is little used.)

Modern Civil Service laws grant complete dismissal power to executives. Civil Service safeguards are preserved by requiring that written charges be filed with the Commission and by providing that the employee may file a written reply. These become public records. This procedure settles responsibility on an executive for the proper conduct of his department, and gives him power so to do; and by public opinion, protects public employees against wholesale or political dismissals.

The charter provides for enforcement of the Civil Service law by making the Commission responsible for the checking of payrolls and their certification to the Auditor, and by prohibiting the Auditor and Treasurer from approving or paying a warrant for the compensation of any employee, without the Commission's approval.

Aid, hindrance, fraud, or collusion in examinations, is prohibited, and the Commission is empowered to remove names of offenders from eligible lists. Except for members of the Police and Fire Departments, there is no provision against political activities, fund-raising, etc. Such provision, with an accompanying penalty clause, is incorporated in modern Civil Service laws. It should require no argument to establish the principle that the personnel, maintained by taxation for the conduct of the business of all the people, has no proper place or activity in influencing personal political campaigns. Modern charters also establish definite restrictions against interference by elected officials with administrative affairs relative to appointments, promotions, etc.

Exemptions from Civil Service include Library, School, Playground, and Park employees, staffs of the Mayor, Public Defender, City Attorney, and District Attorney, employees of the various bureaus under the Superior Court, professional men, and also the chief deputies and other specified employees in each of the other city offices. The School and Library Departments have their own systems, equivalent to Civil Service, for examining and appointing personnel. There is no sound reason why employees of the other departments and offices should be exempted. Even attorneys and other professional men could be appointed through Civil Service, by special methods, at least as efficiently as by an elected official, and the public service would benefit by avoiding a wholesale turnover when the elected head is changed. Not only should chief deputies and other employees be not exempted, but many of the heads of offices now

elected should be selected by Civil Service rather than by ballot.

Charter revision should repeal departmental salary-fixing powers and charter salaries (except for elected officials and Mayor's appointees), and should concentrate salary-fixing power in the Board of Supervisors, subject to salary standards based on classification of positions, to be established by the Civil Service Commission; should restrict the life of eligible lists to two years; should prohibit the re-appointment of any person as a temporary appointee; should authorize temporary or permanent transfers between departments; should provide for open promotional tests in the option of the Commission; should empower the Commission, in its option, and according to its plans, to require departments to keep service and qualification records; and should prohibit political activity on the part of Civil Service employees, with penalty for violations—exclusion, in cases of applicants for examination or eligibles for appointment, and forfeiture of position, in cases of officials or employees.

Charter revision should also vest power of removal, lay-off, or reduction in grade in the executive heads of departments, with the provision that the Commission, and the employees affected, be furnished with written reasons for the action taken, that employees may reply to such charges in writing, and that the Commission shall review both statements and make written report to the department head and the Mayor in any case where it feels injustice has been done.

Important Municipal Events

Retirement System Sustained — Amendment to Retirement Ordinance proposed by Supervisor Hayden, June 19th, to permit department heads to retain employees, regardless of the charter 70-year compulsory retirement provision. Amendment proposed by Supervisor Shannon, June 26th, to permit department heads to similarly retain chief deputies, confidential clerks, etc. Both amendments opposed by Board of Administration, employees' organizations, and the Bureau; both defeated by Supervisors, June 26th.

East Side Highway — Joint Highway Commission organized, conferences initiated with State Highway Commission, and engineers of the San Francisco and San Mateo counties and State Highway Commission now devising tentative plans. Resolution by Supervisor Mulvihill, referred to joint Finance and Streets Committee, proposing that county road fund (approximately $300,000 per year) be used to finance the project. Supervisor McLeran quoted as opposing this—on the ground that projected boulevards within the city must be built with these funds—and proposing that cost of highway and bridge be borne by the State.

The Tax Rate — Non-operative assessment roll totals $613,389,078 instead of $620,000,000 as estimated by Finance Committee. The lower

amount means a loss of approximately $229,000 of expected tax revenues, equivalent to approximately 3.7c on the rate. Supervisor McLeran quoted as stating that the unexpectedly low assessment-roll total will prevent any cut in this year's tax rate below the $3.47 rate of last year.

Recorder's Copying — Five temporary copyists in the Recorder's office, (omitted from 1922-23 budget by the Finance Committee, in anticipation of increased output by changed equipment and methods), recommended by Finance Committee, to be employed until December 31st. April issue of "The City" stated that the Finance Committee's disposition on March 31st, of Recorder's copying situation, constituted only a postponement of effective action, and that "a change in the basis of compensation . . . is the only real solution, and must be adopted before real effectiveness will result."

Tax Judgments and the Budget

The District Court of Appeals last week issued a peremptory writ of mandate to compel city officials to levy approximately $70,000 for the refund to seven petitioners of taxes collected under several illegal tax rates; this will be taken to the Supreme Court by a petition for a re-hearing. The County Clerk's office states that a total of 718 final judgments are on file against the City, aggregating $759,650. These will probably take the same course as the seven for which writs of mandate have already been issued.

In addition, it is stated that there are approximately the same number of protests filed, based on the same considerations, but which have not as yet been brought to judgment. According to the City Attorney, if the City loses before the Supreme Court, refund of the total amount, which may aggregate $1,500,000, can be spread over a ten-year period. This will involve an annual appropriation of at least $76,000, or approximately 1¼c on the rate.

From the standpoint of economy of municipal operations that is expected of a sound budget system, the taxpayers of San Francisco should save considerable sums annually by finally disposing, one way or the other, of this matter of tax judgments. It having been previously held that these are payable only out of surpluses, officials have determined that there shall be no surpluses; this has resulted in the policy of spending all revenues and unencumbered balances before the close of the fiscal year, lest such funds become surplus and thus available for judgment payments.

The excess of *revenues collected* over the amount of *estimated revenues* has amounted to $1,459,312 for the four years from 1917-18 to 1920-21. This sum is equivalent to 25.4c on the several tax rates, or an average per year of 6-1/3c. These surplus revenues for the several years are: 1917-18, $183,620; 1918-19, $432,618; 1919-20, $280,498; and 1920-21, $562,576.

The above figures do not include unencumbered balances in budget appropriations which were transferred and expended to prevent their becoming "surplus," and thus available for the judgment payments. The amount of such appropriation balances is impossible to estimate, due to other transfers between funds, but they may average $100,000 or more per year or $400,000 or more for the four-year period.

It is not contended that these sums have been improperly expended or wasted. Their expenditure, however, has been unbudgeted; the items for which they have been spent have not been subject to scrutiny and approval by the Board of Supervisors in the manner in which budget items are scrutinized and approved; and their disposition has been handled by the Finance Committee and not by the whole Board.

That such sums have been available has not been apparent, either to the Board of Supervisors, or the public. When property was taxed at a certain rate—$2.29, $2.41, $3.08 or $3.18, as the case might be—the amount levied was, officially, for the things and purposes specified in the annual budget. A sound and economical budget procedure would hold unexpended balances and revenue in excess of estimates, as "surplus" to apply on the expenditure program for the next ensuing year, or would at least appropriate these sums as a "supplemental budget" in the same public manner, and subject to the same public discussion and scrutiny as the items included in the budget.

The policy of evading tax judgments has prevented either course. Each year the taxes levied against the public have been used, not only for the budget, but for other projects or expenditures which have not been included in the budget and which the Board of Supervisors and the taxpayers might or might not have approved of. There can be little economy in a budget system that is so flexible and convenient. In the interests of economy in public business, it is to be hoped that the matter of judgments will be settled for good and all, and, if the courts hold that these must be paid by the City, that they will be posted as obligations of the City. The budget system can then be made a fact and a means of economy, as well as a name.

When Will Deflation Affect Taxation?

(Editorial, National Tax Association Bulletin, May, 1922.)

The gradual decline of the general price level toward an equilibrium more nearly in line with the pre-war normal will carry with it in time a corresponding reduction in the costs of doing business. This process of liquidation, in the field of private business, is an absolute essential to the relief of the public from the burden of high costs which steadily accumulates during a period of rising prices.

There is a certain parallel, in the field of governmental costs, to the inflation and liquidation of prices and costs in private industry. The

government must pay for services and materials, and a rising price level affects the money expenses of governmental units, compelling them to levy larger and larger sums in taxes. If the parallel is to hold throughout, the downward trend of prices should result, eventually, in a lower cost of government and a smaller levy of taxes. But the resemblance here is largely one-sided. As prices rise, the levying bodies everywhere defend and justify their increased revenue demands by reference to the higher costs. On the other hand, there is very little disposition anywhere to reduce tax levies as prices fall.

There is no doubt some possibility of greater economy in public administration as general prices decline, but to take advantage of it in the interests of the taxpayers requires a greater alertness and freedom from all manner of partisan influences than we are accustomed to find in public affairs. Such liquidation of public costs as is possible can only be achieved by systematic and determined insistence upon greater efficiency and economy in governmental operations.

Both the theory and the practice of public expenditures must receive far greater attention if these results are to be achieved. And unless we abate the volume of expenditures, either by securing greater efficiency in government or by scrutinizing with the greatest care every proposed extension of the scope of public activities, we can do very little about abating taxes. Carrying water in a sieve is child's play as compared with the job of lessening the tax load without some sort of effective check upon and supervision over the volume of expenditures.

The Difficulties of Retrenchment

The Finance Committee's effort to dispense with the clerk of the Lighting Committee, irregularly employed for almost two years, on the grounds that no need existed for the position and no budget appropriation had been made therefor, was blocked by a motion authorizing the Lighting Committee to retain the clerk for as long a period as it deemed necessary—(Vote: "Aye" 11, "No" 6). Supervisor Powers, Chairman of the Lighting Committee, stated that the position was necessary; Supervisors Wetmore and Welch, the other committee members, voted against retention.

The Bureau made an investigation of this work last year, at the request of Supervisor McLeran, Chairman of the Finance Committee, and reported on June 2nd, 1921, that, with proper maps, "the actual work of keeping the maps corrected and checking the bills should take only two or three days each month;" and further, "In view of the fact that the work is clerical detail, not requiring unusual qualifications, it is our opinion that an additional employee for this work is not necessary, but that the work should be continued by the regular force now in the office of the Board, under the direction of the Clerk of the Board."

The City

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Bond Issue Policy Adopted for Schools

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Bureau of Governmental Research

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The City

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Bond Issue Policy Adopted for Schools

The Board of Supervisors, on August 14th, after an extensive debate on the bond issue and pay-as-you-go policies for school construction, by a vote of 12 to 2, four absent, passed the initial ordinance for the submission to the people of a $12,000,000 bond issue for schools and a $2,000,000 issue to replace Relief Home buildings declared to constitute a dangerous fire hazard.

A written opinion from the City Attorney was presented, analyzing one of the points of law involved in the pay-as-you-go plan as advocated by the Bureau. This coincided with the Bureau's contention that high school appropriations, as well as elementary school appropriations, authorized by the Political Code, could legally be made. The opinion was silent as to the point advocated by the Bureau, based on an opinion of the Attorney General, that school building appropriations could be made within our charter tax rate limit, in addition to appropritions authorized by the Political Code. The Assistant City Attorney stated verbally, however, that while the charter could not restrict appropriations authorized by the Political Code, he did not believe the city, under the charter, could go beyond these.

A communication from the Board of Education was presented and was supplemented verbally by President Dohrmann. This favored the bond issue on the basis of the Finance Committee's assurance that 15c was the maximum budget appropriation permitted by law, and the further understanding that $1,250,000 would be provided annually in the budget for maintenance and repairs, and for new schools required each year for expansion. President Dohrmann stated that the entire $12,000,000 would be used for rehabilitation, to be spent in six or eight years; that under a pay-as-you-go policy there could be no guarantee that it would be maintained

by future Boards of Supervisors; and that if the Attorney General's opinion, quoted by the Bureau, was later found to prevail, the full pay-as-you-go policy might then be adopted and the remaining bonds held unsold.

The Director of the Bureau urged the building of necessary schools and, referring to the City Attorney's opinion, stated that $1,300,000 to $3,900,000 could legally be appropriated under the Political Code, and, on the basis of the Attorney General's opinion, that an additional $1,800,000 could be legally appropriated under our charter $1.65 tax rate limit—$999,000, on the basis of the manner in which the budget appropriations are usually distributed in fixing the tax rate, and $814,000 additional, under the charter provisions, which have not been followed, governing the levy for bond interest and redemption by taxation, and the paying of all interest received from investment of surplus funds into the General Fund.

The Supervisors were urged, (1) to provide the sums required by the Board of Education, by adding to the pending tax rate, and by appropriations in future budgets; or (2) if a bond issue policy was adopted, to reduce the issue to $4,000,000, and next year take up the full pay-as-you-go policy, thereby producing approximately $7,000,000 in twelve months, and $2,000,000 to $3,000,000 in ensuing years, and to cut down the life of the bonds from 40 years, to 20 or 25 years, in order to reduce the cost.

Supervisor Hynes advocated the pay-as-you-go policy, and proposed that $1,250,000 additional be appropriated. Supervisor McSheehy also advocated the pay-as-you-go plan. Considerable discussion centered around the effect of the two proposed issues on our bonded debt limit (15% of assessed valuation). It was stated that the proposed $14,000,000 would reduce our bonded debt leeway to $7,000,000, exclusive of $5,000,000 unsold Hetch Hetchy bonds. However, the Political Code authorizes schools bonds up to 5% of the assessed valuation for high schools and 5% for elementary schools, and such authorization is probably additional to the Charter 15% limitation.

The 1922-23 Tax Rate

The Finance Committee, on August 14th, presented to the Board of Supervisors the annual tax-rate ordinance, fixing the total rate at $3.47. This was laid over one week. The total rate agrees with the estimate made by the Bureau, and the detail provisions are now being studied. Preliminary analysis indicates a levy of $123,600 more for employees retirement, and $161,000 less for bond interest and redemption, than budget appropriations for these items.

It has come to be recognized that the fixing of the tax rate, although based on the budget, can operate to supplement the budget appropriations by levying more taxes than the budget actually requires. In the fixing of the rate the estimate of "miscellaneous revenues"—revenue from license

fees and other sources—plays an all important part. The *Tax Rate* is the factor applied to the assessed valuations of property shown on the assessment roll; the income so produced is called the *Tax Levy,* which, together with the estimated amount of "miscellaneous revenues" should equal the budget.

It follows, therefore, that if these revenues are under-estimated, either erroneously or through undue conservatism, a higher tax levy, and a higher tax rate to raise such levy, will be required. Under the city's fiscal policy of expending all surpluses within the fiscal year to which they apply, lest they be taken to pay tax judgments, any such under-estimate of Miscellaneous Revenues operates to supplement the budget expenditure program.

In the case of the city, spending $25,000,000 per year, it is sound policy to raise sufficient revenue to provide an available cash reserve—$150,000, which has been unofficially specified, in addition to $100,000 carried in the budget, is not excessive. Such a reserve, under a proper fiscal procedure, would be maintained and carried over to the next fiscal year, if not required for emergencies during the fiscal year for which it was provided. Under our municipal system and policies, such a fund, although unofficially considered as "reserve," is just that much additional revenue, is always spent before the close of the year during which it is set up, and must be reestablished anew for each ensuing year.

On three occasions, the Bureau, on the basis of revenue estimates, has urged tax rate reductions, and in each case the actual collections at the close of the fiscal year have established the conservatism of the Bureau's estimates. In 1918, when a $2.45 rate was proposed, the Bureau urged a $2.40 rate; the rate finally fixed, $2.41, produced surplus revenues of $432,600. If these had been accurately taken into account, a rate of $2.36 would have funded the budget and provided a surplus for "reserve" of over $150,000. In 1920, when the rate was fixed at $3.18, the Bureau unsuccessfully urged a $3.14 rate. The $3.18 rate produced surplus revenues of $562,600, which, if accurately taken into account, and allowing $150,000 for "reserve," would have permitted a $3.11 tax rate.

Last year, when the $3.47 tax rate was fixed, the Bureau proposed a $3.43½ rate. The $3.47 rate produced surplus revenues of $286,400 which, with accumulated surplus revenues pointed out by the Bureau, and allowing $150,000 for "reserve," would have permitted a rate of $3.42½.

The tax-rate situation this year is somewhat different than that of previous years. Long before the budget was made up, a lower tax rate was publicly pledged and by a heavy cut in appropriations for improvements, principally schools, a budget estimated to require a $3.42 rate was proposed. The Supervisors amended the budget, bringing the prospective rate up to $3.43½; an increase in the assessment roll, amounting to only one-half the Finance Committee's estimate of increase, also added to the prospective rate. This year, therefore, with a $3.47 rate proposed by the

Finance Committee, it is probable that the official revenue estimate closely approximates the Bureau's unofficial estimate, if taxes are to be levied to meet all General Fund budget appropriations.

The Bureau's estimate of miscellaneous revenues and State aid for schools, widows and orphans, etc., for the current fiscal year, based on departmental estimates and actual receipts of the last two years, is $3,839,633. The estimate, involving sixty items, is conservative, all speculative items being under-estimated. The tax-rate estimate of $3.4702 on the basis of the above revenue, is as follows:

1.	AUTHORIZED BUDGET		**$24,892,678**
2.	State Aid and School Rents	$1,790,000	
3.	Bond Int. and Red. from State	193,593	
4.	Back Taxes (see No. 8)	150,000	
5.	Other Misc. Revenues	1,706,040	
6.	TOTAL MISCELLANEOUS REVENUES		**3,839,633**
7.	Bare Tax Levy		$ 21,053,045
8.	Plus Estimated Taxes to go Delinquent (see No. 4)		150,000
9.	Plus "Reserve"		150,000
10.	ACTUAL TAX LEVY		**21,353,045**
11.	Total Non-Operative Assessment Roll		$615,330,576

It might be noted in passing that over 85% of the budget is now funded by taxation and only 15% by other revenues; that twelve years ago, in 1911-12, the ratios were 77% and 23%, and that whereas the budget has increased 109% in the twelve-year period, the tax levy 130%, and State aid 126%, the revenues from licenses, fees and other sources, exclusive of State aid, are two-tenths of 1% less.

San Francisco's Assessment Roll

San Francisco's assessment roll, as checked and revised by the Auditor, totals approximately $615,300,000 for non-operative property, which is the class of property subject to local taxation and is exclusive of the property subject to State corporation taxes. The increase over last year's assessed valuations approximates $5,940,000, or slightly less than 1%. Last year's increase over 1920 was approximately $24,800,000, or 4½%.

The increase for the five years from 1918 to 1922 is $53,000,000—from $562,300,000 to $615,300,000—or slightly over 9%. In the same period, Oakland's non-operative assessments increased over 17%. Los Angeles' figures for 1922 are not as yet available, but the increase for that city for the four years, 1918 to 1921, amounted to $195,800,000—from $508,800,000 to $704,600,000—or approximately 38½%.

A comparison of non-operative assessment figures for the ten largest California cities for the five-year period, 1918 to 1922, show San Francisco's increase of 9% to be the smallest, excepting only San Diego, with an 8% increase. Of the six cities for which 1922 figures are available, four show an average increase over 1921 of 5%, while San Francisco and

San Diego remain practically stationary. The non-operative assessed valuations, in millions of dollars, and the percentages of increases are shown as follows:

	1918 *Millions*	1921 *Millions*	% Inc.	1922 *Millions*	Total % Incr.
Los Angeles	$508.8	$704.6	38.5%	.....	.....
San Francisco	**562.3**	**609.9**	**8.5**	**$615.3**	**9.4%**
Oakland	152.6	170.2	11.6	178.7	17.1
San Diego	86.3	93.4	8.1	93.3	8.1
Sacramento	71.7	77.0	7.4	81.6	13.9
Berkeley	48.4	60.0	23.8	.....	.....
Long Beach	42.3	70.9	67.5	.....	.....
Pasadena	62.8	86.7	38.	92.4	47.1
Fresno	25.8	38.9	50.7	.....	.....
Stockton	51.8	55.9	7.9	57.1	10.2

Charter Amendments

Weekly meetings to consider proposed charter amendments were started on Thursday, August 3rd, by the Judiciary Committee, composed of Supervisors Bath, Hayden and Scott. August 28th has been fixed as the last day for receiving proposed amendments sponsored by citizens or organizations. If the procedure of 1920 is followed by the Committee this year, all proposed amendments will be printed, and upon the completion of the hearings the Committee will recommend to the Supervisors the placing of certain amendments on the ballot, and the rejection of others, and will submit controversial amendments to the Board without recommendation. The proposed amendments referred to the Committee to date are as follows:

License Taxes—Proposed amendment (was Amendment No. 45, 1920 election) introduced by Supervisor Bath last January, to repeal the exemption from license taxation now provided in the charter for "Any person who, at a fixed place of business, in the City or County, sells or manufactures goods, wares, or merchandise," and fixes 1/10 of 1% of gross sales as the maximum license tax that the Supervisors may impose. A similar amendment was decisively defeated in 1918, by reason of the fact that it prescribed no maximum. Two years ago, representatives of practically all retail organizations agreed to accept Amendment No. 45; it was unopposed, but failed to carry by a narrow margin, due to lack of support. This year it is opposed by the recently-formed Retail Merchants Association, on the basis that it is class legislation, that it would increase prices, and that business conditions at the present time cannot stand further taxation.

Railway Operation Outside of County — Proposed amendment introduced by Supervisor Hayden, July 31st, to empower city to own and operate Market Street Railway lines, outside of county, and designed also to exclude any bonded indebtedness incurred in the Market Street Railway purchase (estimated at $14,000,000) from the charter debt limitation of 15% of assessed valuation. Amendment favorably reported to Board by committee, and passed by Board for inclusion on ballot.

Registration of Voters — Amendment proposed by Registrar of

Voters, August 10th, to provide for piece-rate registration of voters at 10c per name; existing provisions prescribe flat rate of $125 per month for deputies. The Registrar states that registration, on the salary basis, averages 15c per name and estimates that our present registration would be 250,000 instead of 190,000, if it could have been based on 10c per name.

Utilities Commission — Proposed amendment introduced by Supervisor McLeran, last May, to create a Utilities Commission of three members, appointive by the Mayor for six-year terms, and to serve without compensation. Commission to exercise power now conferred by charter on the Board of Public Works and such other powers as the Supervisors may prescribe by ordinance relative to the construction, extension and operation of light, water, power, heat, transportation and telephone services, owned or acquired by the city. Commission empowered to employ manager for each utility (managers, experts, and three confidential employees, to be exempt from Civil Service.) Accounting and appropriation procedure to conform to existing charter provisions.

Purchasing — Proposed amendment introduced by Supervisor Rossi, August 14th, to establish a Bureau of Purchasing, under a Purchasing Agent, appointed by the Board of Supervisors, subject to Civil Service. Authorizes purchases at time and in manner best suiting city requirements (under $1000 on three bona fide bids in the open market, over $1000 by contract), sale by Purchasing Agent of city property unfit for use, and the establishing of stores, warehouses and stores revolving fund. Requires specifications and tests, complete public records of bids and prices, and the certification, by the Auditor, of availability of funds before purchase orders may be issued. Suspends, for purchasing, present limitation on all monthly expenditures to one-twelfth of annual appropriation. Vests rule-making power in Supplies Committee, subject to ratification by Supervisors.

Election by Wards — Amendment, stated as proposed by North Beach Improvement Association, to require the election of Supervisors by wards instead of "at large."

Granting of Options—Proposed amendment, introduced by Supervisor McSheehy, August 14th, to forbid the granting of options by city officials relative to purchase of city bonds, real estate or other property.

Important Municipal Events

Retirement Ordinance—Another proposed amendment to the Retirement Ordinance, introduced by Supervisor Hayden, July 24th, designed to exempt from retirement the Chief Deputy Auditor, retired July 1st, under the Charter 70-year compulsory retirement provision. Amendment referred to committee, and opposed by Board of Administration, Office Employees' Association, Per Diem Men's Association, and the Bureau. Finance Committee requested opinion of City Attorney on Board of Public

Works' warrant for Assistant Superintendent of Buildings, also mandatorily retired July 1st, re-employed on a contract basis of 2% of building-repair expenditures, not to exceed $325 per month. (Supervisors, June 26th, voted down two proposed amendments designed to exempt these employees).

Municipal Railway Extensions — Proposed bill, introduced July 24th relative to use of Market Street Railway tracks, which would have committed city to proceeding with Masonic Avenue extension, was postponed until November 13th, due, it is stated, to its impending certain defeat. Bureau, in connection therewith, again raised the question of financing extensions, first raised last March and still in committee. Ordinance by Supervisor Hynes, August 7th, directing Board of Public Works to proceed with Sunset extension west from Cole and Carl Streets, referred to committee.

"Going Wage" Scale—Secretary of Labor Council, during consideration of the annual salary ordinance, urged Supervisorial action to force Board of Public Works to pay the "going wage" for city asphalt workers. President of Board states city now paying over the scale. Bureau, in communication to Board of Public Works, May 1st, (which communication was "filed") pointed out the payment of rates in excess of the "going wage" to carpenters, plumbers, steam-fitters, painters, tinners, cement finishers, glaziers, wiremen, teamsters, engineers, stone-cutters, brick-layers, hod-carriers, and teams.

Recorder's Copying—Finance Committee, on August 4th, authorized Recorder to purchase fifteen additional typewriters to complete the installation of modern equipment designed for loose-leaf record-keeping in this office.

Rincon Hill Regrade—Rincon Hill assessment hearing set for September 26th. Supervisor's Clerk instructed to communicate with each property owner, notifying him of amount of assessment, and requesting him to file written objection or approval.

Note: *"Charter Article No. 8," dealing with San Francisco public improvement procedure, is omitted from this issue, by reason of limitation of space, and will be carried in the September issue.*

The City

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Charter Article No. 8

Attempted Evasion of Retirement Law

The Initiative Civil Service Amendment

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The $12,000,000 School Bond Issue Passed

The Board of Supervisors, on September 18th, passed the second ordinance of the series necessary to bring the school bond issue before the people. This specifies $12,000,000 as the issue, 45-year bonds, and November 21st as the date of the election.

The Bureau, on August 31st, filed a report with the Board of Supervisors, a copy of which was sent to each Supervisor, analyzing the school bond issue situation from its inception and proposing an alternative to the proposed $12,000,000 issue. After careful consideration, it was felt that the City Attorney's opinion, rendered to the Supervisors for the first time on August 14th, the date the bond issue policy was adopted by the Board, had materially changed the situation.

The City Attorney's opinion definitely disposed of the contention, which was one of the two basic points advocated as necessitating a bond issue, that 15c was the limit of taxation for school buildings. The opinion was silent on the further point urged by the Bureau—that school building appropriations could be made under the Charter in addition to Political Code authorizations. The Bureau's report urged the Supervisors to request the City Attorney's opinion on this point, which has heretofore been established by an opinion of the Attorney General and by court decisions on the subject.

Although the bond issue policy was adopted August 14th, at which time $12,000,000 was discussed as the amount of the bond issue, this amount had not been officially established by ordinance. The Bureau's alternative proposal was: (1) that the amount of the bond issue be reduced from $12,000,000 to $5,000,000; (2) that the contemplated life of the bonds be reduced from 40 (actual proposal, 45 years) to 25 years; and (3) that

$14,500,000 be provided on the pay-as-you-go plan by budget appropriations during the next six years.

By this means the same sum could be provided as under the Supervisor's plan, and in the same length of time—$19,500,000 in six years. The cost to taxpayers would be reduced from $31,380,000 (for 45-year bonds) to $22,300,000, or a saving of over $9,000,000. The tax rate for the six-year period would be increased 17.1c on the average over the tax rate necessary under the Supervisors' plan, and the tax rate for the succeeding 39 years would be from 13c to 5c less, or an average of 9c, than under the $12,000,000 bond plan of the Supervisors.

On September 18th, however, when the ordinance specifying the $12,000,000 of 45-year bonds was up, it was passed with little debate, Supervisors Hynes and McSheehy voting "No." The interest cost for 45-year bonds will be $5,400,000 more than had the Bureau's proposal of 25-year bonds been adopted—$11,880,000 for the one, as compared with $6,480,000 for the other.

Financing Municipal Railway Extensions

The Public Utilities Committee of the Board of Supervisors, on September 18th, presented the initial ordinance of a series of ordinances designed to bring before the people a $2,000,000 bond issue for Municipal Railway extensions. It may be recalled that last March the Bureau, in a report to the Supervisors, pointed out the unsound and dangerous method of financing contemplated for the then proposed railway extension. At that time the City Engineer supported all the contentions of the Bureau, and advised the Supervisors that—if they deemed the extensions they had voted for worthy of construction and operation—a bond issue of $1,500,000 should be proposed to pay the cost of these. It was stated, on September 18th, that the committee, in a recent conference with the City Engineer, had agreed that at least $1,000,000 be held intact in the Depreciation Fund for emergency and depreciation purposes.

The Chairman of the committee requested that the school bond election, set for November 21st, be postponed to December 5th, so that both propositions, the school bonds and the railway bonds, could be voted on at the same election. The Chairman of the Finance Committee stated that funds had already been appropriated for the Sunset and Ocean View extensions, mentioned in the bond issue proposal, and that a bond issue was not necessary for these. Members of the Public Utilities Committee disagreed with him as to the availability of funds already appropriated for these extensions.

However, on the basis of the argument that to postpone the school bond election and to add another bond issue proposal to the ballot that would come before the people, might have an adverse effect on the school bond

issue, the proposed ordinance was withdrawn and the matter referred to the joint Finance and Utilities Committee.

The formal report from the Board of Public Works on the Duboce Avenue tunnel assessment was filed with the Supervisors September 18th. Under the law, this must be published; twenty days are allowed from the date of first publication, for the filing of protests. An enthusiastic delegation in support of the project filled the Supervisors' chambers. It was brought out in the discussion that many citizens and Supervisors had been under a misapprehension as to the burden of assessment that the project placed on the property within the assessment district. The City Engineer stated that assessments would range from a minimum of 1½c to 5c per square foot, which, on the basis of a lot 25 x 120 feet, would range from $25 to $150, and that the amount of the assessment could be paid in ten annual installments.

Important Municipal Events

Tax Judgments—Supreme Court denied City Attorney's application for re-hearing on writs of mandate granted to certain taxpayers, which ordered City to refund taxes illegally levied. Writ of service issued by Court to cover $141,000 of such judgments; tax rate amended to levy 10% of the several amounts (payable in ten years, under law). Total amount of final judgments, which will probably now be pressed, is $760,000. Additional judgments, based on same grounds, estimated will bring total to $1,250,000.

Tax Rate—The $3.47 tax rate introduced August 14th failed to pass August 28th, the vote being 13 to 5, with 15 votes required. Re-introduced September 5th and passed 15 to 3. Supervisors Hynes, McSheehy and Schmitz voted "no" and Supervisors Powers and Welch, previously opposing, voted "aye." Amended September 11th to carry out mandate of Supreme Court relative to tax judgments. Two and one-half mills ($15,400) levied for judgments and General Fund reduced by the same amount.

East Side Highway—Engineers' estimate of cost of East Side Highway, $7,472,000, to include 125 feet right-of-way, 40 feet highway, and bridge. Estimated cost from Potrero Avenue and Army Streets, to South San Francisco, $3,472,000. San Francisco and San Mateo Counties have appropriated $225,000 for surveys and right-of-way options. San Francisco's pro rata approximates $205,000; San Francisco resolution provides that no part of this sum shall be expended for bridge survey. Stated that probably not more than $50,000 to $75,000 will be required during this fiscal year; this to be provided from Good Road Fund, thus avoiding increase in tax rate. Any additional sum required will be provided by eliminating some improvements appropriated for in the budget.

Illegal Positions—Supervisors on September 5th voted to pay July

and August salary for the clerk of the Lighting Committee, which employment has been under discussion by the Board for two months. Finance Committee reported adversely thereon, on the basis of illegality of employment and lack of appropriation. Ex-Supervisor Power charged that Chairman of Finance Committee, although now contending that position was illegal, had offered it as "patronage" to Supervisor Welch. Supervisor Welch confirmed this, but Supervisor McLeran stated he had no recollection of any such conversation. Supervisor Hynes charged that there were sixteen positions in other offices "just as illegal" as this one. Several Supervisors, in voting to pay back salary, stated that they would vote against any salary for the future.

San Francisco's Public Improvement Procedure

CHARTER ARTICLE NO. 8

The term "public improvements," as commonly used, includes street and sewer work, the establishing and changing of street lines and grades and work incidental thereto, and tunnels, viaducts, subways, etc. Public improvement functions in San Francisco are centered in the Board of Public Works, subject, in most cases, to the enactment of formal ordinances by the Supervisors, and subject also to review by the Supervisors in case of protest. The Board of Public Works, composed of three Commissioners, is the only full-time board in the city organization. Its functions, relative to public improvements, are both judicial and administrative.

Public improvement procedure can best be classified under three heads: (1) *Judicial*—involving the determination of points of equity relative to improvements and assessments; (2) *administrative*—involving the details of engineering, construction, levying and collecting assessments, handling property involved in delinquent assessments, etc.; and (3) *legal*—the laws governing the initiation of improvements, detailed procedure, rights of property owners, hearings, method of assessments and payments, etc.

Taking the last first, the Charter devotes to the Department of Public Works 56 pages, about 25,000 words, most of which is detail relative to public improvements. This, to a large extent, is a compilation of ordinances that have no proper place in the City's fundamental law. By amendments, it has been provided that the Charter provisions are not exclusive and Supervisors are empowered by fourteen votes to establish other methods and procedure; this has been done in the case of street improvements, for the Twin Peaks Tunnel and also for the Rincon Hill removal.

The Charter establishes the policy, which has become increasingly onerous with passing years, that the City shall pay all costs of work on "accepted" streets—streets piped, sewered, paved and accepted by the City.

The burden thus placed on the City at large, by reason of traffic conditions that have developed in the last ten or fifteen years, involves practically a complete replacement of all city streets every fifteen to twenty-five years. The cost to properly replace unsuitable or worn-out pavements and keep up with depreciation, is too great to be more than nibbled at. The result is a never-ending pressure, in the interests of particular streets and sections, for the small annual appropriation for street reconstruction.

The cost of reconstruction should be assessed against property owners benefited, in the same manner as the cost of original construction. This would be equitable and would take this very important subject out of the field of politics. Modern charters, such as those of Cleveland, Dayton and other cities, provide that reconstruction shall be assessed against benefited property. Property owners are protected in case of unusually short life of pavements (due to faulty plans, specifications or construction), by the provision that if reconstruction is required within fifteen years of a previous assessment, not more than 50% of the cost can be so assessed.

The Charter requires that special-assessment work shall be done by contract, and vests the Board of Public Works with discretionary powers to do reconstruction work by contract or city forces. Charter revisions should require bids on all work not emergency in character, and provide for city bids in competition with those of private contractors.

An important Charter defect is the concentration of judicial functions. involving matters of equity incidental to improvements, in the Board of Public Works, which is also responsible for important administrative functions. To some extent, the two functions are conflicting; the Board, administratively responsible for plans, specifications, assessments, etc., is often, in its judicial capacity, required to sit in judgment on protests of property owners concerning these things.

The executive and administrative activities of the Board should be centered in a single responsible official, a Director of Public Works. The judicial functions of the Board should be centered in an unpaid and partly ex-officio Board of Local Improvements, whose sole function should be to pass on matters of equity affecting public improvements—character and necessity of work, appraisal of benefits derived and damages sustained, assessment of cost, etc. In these matters the interests of the City, as expressed in official plans, may clash with the expressed wishes of property owners. Such a board should be empowered to engage expert services when required, and to call on existing departments for administrative work involved in public improvements, such as damage and benefit valuations, spreading and collecting assessments, etc.

The present assessment provisions allow for the payment of special assessments in ten annual installments, with 7% interest on balances. This affords property owners the opportunity of spreading the burden over a

term of years when the total cost in a lump sum might be burdensome. The cost of special assessment work, however, is 25% to 35% higher than the cost of other city construction, due to the contractor's cost of financing under the existing procedure.

The contractor must finance the work until it is accepted, and then collect assessments from individual property owners. He has to sue in cases where assessments are not paid. He is given ten-year bonds, secured by individual parcels, for assessments on which owners elect to pay in ten annual installments; he must market these, usually at a discount, to get his capital back and secure his profit. These costs of financing must be added to the prices bid.

The Charter authorizes the issuance of bonds, by vote of the people, for any special-assessment project, the cost of which exceeds $500,000, and provides that the proceeds of the sale of such bonds shall be used for progress payments on the work, and that special-assessment collections shall be credited to a revolving fund, to pay the interest and redemption of such bonds. The powers granted by this provision, being restricted to large projects, have never been used. Similar procedure should be enacted to apply to all public improvements paid by special assessments. The use of the City's credit would save large sums annually to property owners, and bonds would be fully covered by anticipated special-assessment revenues.

Attempted Evasion of Retirement Law

Two Board of Public Works warrants, in payment of July and August compensation for the Asst. Supt. of Buildings, were the subject of considerable discussion at the Supervisors' meeting September 18th. These were based on a contract with this employee, designed to retain him contrary to the 70-year compulsory retirement provision. The contract provides for compensation on the basis of 2% of the monthly expenditure of the Bureau of Building Repair, such amount not to exceed $325 per month.

The warrants had previously been held up by the Finance Committee and referred to the City Attorney for opinion as to legality under the contract. These had been returned to the Finance Committee by the City Attorney on September 15th, without an opinion, but with the suggestion that the Finance Committee pass them through the Board and let the question of legality be determined by the Auditor.

The demands were included in a lump sum on the September 18th calendar, and questions by Supervisor Hynes brought out the facts of the case. The City Attorney advised the Board that he was very uncertain as to their legality and that if the Board passed the demands he would advise the Auditor not to pay them, but to have this employee mandamus the

Auditor for the payment thereof. After considerable discussion, they were voted down by the Supervisors, by a vote of 7 "Aye" and 8 "No."

The Initiative Civil Service Amendment

The Charter amendment drafted by E. A. Walcott, Civil Service Commissioner and Secretary of the Commonwealth Club; Paul Eliel, Former Director of the Bureau and Chairman of Civil Service Section of the Commonwealth Club; W. E. Talbert and C. C. Stech of the Bureau of Management Research; J. J. Maher, Secretary of the Civil Service Commission, and the Director of the Bureau, is probably assured a place on the ballot by initiative petition. The completed petition was filed with the Board of Supervisors on September 8th and carried 35,000 names. Approximately 23,000 names are required.

The proposed amendment will: (1) Eliminate "temporary" appointments and exemptions from Civil Service; (2) open promotional channels in every department; (3) eliminate individual discrimination and influence in the fixing of salaries; (4) extend Civil Service provisions to the entire municipal service; (5) remove the existing illegality of the present salary ordinance; (6) better protect employees against unjust dismissal; (7) strengthen the power of department heads and remove unnecessary Civil Service interference in departmental affairs; and (8) improve the structure of city and county governmental organization.

This amendment should appeal to those who have no personal or political interest, who are desirous of remedying Civil Service defects by improving them rather than by abolishing Civil Service, and who are desirous of taking a long step forward in the improvement of our governmental organization.

The Need for Municipal Research

(From report of Taxation Committee, Seattle Municipal League, printed in Seattle Municipal News, Sept. 9, 1922.)

. . . "Before we can get our taxation on a scientific basis we must have a bureau of municipal research to be on the job all the time. Anything else is mere makeshift. Because of the absence of machinery engaged in a constant study of our taxation problems, there are few people competent enough to step in and act when an emergency arises, and because of the absence of authoritative information the public has little opportunity to arrive at a unanimity of opinion in regard to the subject. Nothing short of a comprehensive and continuous fact-finding and fact-reporting agency is sufficient. Such an agency would be a bureau of municipal research."

The City

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Bureau's Analysis of the Water and Power Act

(*Proposition 19 on the Ballot*)

State Measures to be Voted On

Charter Amendments on the November Ballot

The Bureau of Governmental Research has confined its analysis of State and local measures on the November ballot to those considered by it as "governmental measures", and has not acted on those measures which may be designated as special, social or class legislation.

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Bureau's Analysis of the Water and Power Act

(Proposition No. 19 on the Ballot)

In considering the Water and Power Act, the Bureau of Governmental Research does not pass on the question of policy involved in public ownership of utilities. The Bureau is not opposed to municipal ownership, nor does it hold a brief for any private-utility company, its policies or its rates. Consideration is confined to the proposed Act as a governmental and economic measure, and, in the opinion of the Bureau, based on such consideration, the Water and Power Act should be defeated.

The Bureau does not agree with the estimates of large savings based on the expectancy that the cost of money to the State will be considerably lower than to the private-utility companies. The present average cost of money to a large private utility is approximately 6.4%—approximately 5.9% on bonds and 7% on stock (on the basis of probable future stock dividends). State money at the present time is on approximately a 4.25% basis; for Water and Power bonds, this rate would no doubt be higher, by reason of the effect on the credit of the State, at least for some time to come, of the passage of the proposed Act. (The Act provides for an interest rate of not to exceed 6%.) The difference in interest rates in favor of the Water and Power bonds would probably not exceed 2% at best, and might be less. The effect of any such saving, in terms of rates for utility services, would be more than offset for the next 25 or 50 years by the amount that would have to be figured, in rates under the Water and Power Act, for the redemption of bonds. This will be 2% for 50 years for plant, and 4% for 25 years, for distributing systems.

With those features of the Act that deal with the appointment of the proposed Board by the Governor, the independence of such Board in **proper** matters, and the power vested in it to provide "any property or thing necessary or convenient" for the general purposes contemplated, the Bureau of Governmental Research does not disagree. These provisions, although they have been criticized, are necessary for businesslike operation of publicly-owned utilities and to keep such operation as free as possible from politics. Although broader in scope, they are somewhat in line with the provisions of Charter Amendments urged by the Bureau on two occasions for a Water Commission or a Public Service Commission for San Francisco, to be charged with independent operation of municipally-owned utilities.

Nor is the Bureau's objection based on the results of public ownership in Los Angeles, San Francisco or other cities. Assuming, as contended, that these have been financially successful, they are strictly **municipal** ownership projects, authorized in each case by the people of a single community, on the basis of a definite

and specific project. There is not, in any of these cities, any such blanket authorization, "sight unseen," for any and every project that might be evolved, such as is proposed by the Water and Power Act.

The plan of operation of the Ontario (Canada) Hydro Commission has been cited as the model for the proposed Act. The Ontario plan, however, is fundamentally different from the plan laid down in the Water and Power Act. It is provided by legislative enactment, which has been found necessary to be amended from year to year. The Ontario plan is co-operative municipal ownership through the agency of the Hydro Commission. The Commission cannot undertake construction, borrow money or issue bonds, without authority of the Provincial Government, obtained by Order-in-Council. Each local distributing plant and system is financied by bonds of the municipality served; $23,000,000 of the total $99,000,000 Ontario expenditure has been so financed. Vote of the people in each municipality is required to authorize the Municipal Council, first, to contract with the Commission for power, and, second, to sell bonds of the municipality to cover the cost of the local plant. The Hydro Commission produces and delivers power wholesale, for retail distribution by the municipalities..

In the opinion of the Bureau, the waters of the State should be subject to State control, so that they may be developed to their maximum beneficial use, and to the end that conflicting requirements for irrigation, domestic use, or power may be harmonized. (The last Legislature appropriated $200,000 for a survey of State water resources; report on this is due for the 1923 Legislature.) This function can best be exercised by expanding the powers of the existing Division of Water Rights or the existing Railroad Commission. Such agency should also be given the necessary power to serve as the co-ordinating element for a number of political subdivisions, to facilitate joint action, in their common interest and under their home rule powers, for the development of water, power, irrigation or flood control projects. **If necessary and desirable,** provision should be made for State aid or credit to assist political subdivisions, subject, however, to ratification by the Legislature and by the local governments for each specific project, on the basis of costs, necessity, and probable revenue.

The Bureau of Governmental Research believes, however, that the proposed Water and Power Act goes dangerously far beyond the necessities for State action outlined above, that it is not a desirable amendment to the Constitution in other respects, and for those reasons should be defeated. The several bases for the Bureau's objection are enumerated in the following:

1. **Difficulty of Amending:** The Act is a Constitutional Amendment, and imperfections can be changed only by vote of the people. It has been stated that the Ontario Act, which is claimed as a model for the proposed Water and Power Act, has been found necessary to be amended at almost every session of the Ontario legislative body since its enactment.

2. **No Restriction on Duplication:** There is no provision in the Act restricting the proposed Board from a duplication of existing plants. It is not inconceivable that a strong Board, meeting with opposition by privately- owned utilities, might use the tremendous fund placed at its disposal for the duplication of existing plant, which would mean an economic loss and an expensive rate war for which the ultimate consumer would have to pay.

3. **Civil Service Not Required:** All of the employees of the proposed Board, according to the Act, shall be subject only to such civil service regulations as the Board may provide. There is no provision requiring the Board to provide any civil service regulations, and nothing to prevent the active operation of the spoils system to govern appointments and compensations. Civil service, although far from perfect, would be little more than a name, if each important department were equally free to adopt its own system of employment regulation. The personnel of the State Harbor Commission, at San Francisco, is under State Civil Service, and extension of civil service to cover such employments corrected many political abuses.

4. **"Blanket" Financing:** The proposed Act authorizes $500,000,000 of bonds without any reference to specific projects. Although the arguments for the adoption of the proposed Act are based on the success of municipal ownership in many cities, such blanket provision for finances is unprecedented in the field of municipal ownership. It is as unbusinesslike as signing a blank check. The citizens of San Francisco, for instance, are committed to the principle of municipal ownership, by the terms of the Charter adopted by the people. In spite of this, the voters have three times in the last seven years rejected the purchase

of the Spring Valley Water Company at what has been deemed a fair price by the City Engineer, the Railroad Commission, and other informed officials and citizens. Such blanket fiscal authority would take control entirely out of the hands of the people, which control, in all municipal ownership projects in the United States, is and has been exercised by them on the basis of individual projects, the need therefor, and the cost thereof.

5. **Separate Funds Not Required:** The proposed Act makes no provision for maintaining separate funds for the various projects. On the other hand, it provides that the Board, in certifying that expected revenues from a contemplated project will pay off the interest and other expenses, shall consider revenues from such project, and "available revenues from other projects." Revenues of the Board, except proceeds from bond sales, are to be paid into the State Treasury, and to be applied, first, to paying the expenses of the Board, costs of operation, maintenance, depreciation, insurance and losses; and, second, to the payment of interest and principal of bonds. Unless the Board desires to set up a separate fund for each project, all revenues and expenditures can be pooled, and the financial success or failure of individual projects would be very difficult to ascertain.

6. **Bond Funds for Current Expenses:** The Act provides that bonds may be sold and the proceeds may be expended, not only for the acquisition, construction, development and completion of projects but also for **operation and maintenance.** The present and recent financial troubles of many cities are chargeable to that same practice—floating bonds to cover current expenses.

7. **Pyramiding Debt:** The Act also provides that when revenues from projects are insufficient to meet bond and interest charges, bonds may be sold to meet these. It has been stated that this is necessary to meet interest charges during construction, but no such restriction is set forth in the Act. This is contrary to the principles of sound financing and is comparable to the selling of stock and using the proceeds to pay stock dividends, which scheme of financing, for private corporations, has been outlawed in California.

8. **Ex-Officio Finance Committee:** Under the Act, the authorization and sale of bonds is subject only to the control of a majority of an ex-officio Water and Power Finance Committee, to be composed of the Governor, Controller, Treasurer, Chairman of the Board of Control, and Chairman of the proposed Water and Power Board. The entrusting of important administrative duties or matters of policy to ex-officio boards has, throughout the State and nation, been proven to be unwise. Proper responsibility cannot be secured, by reason of the fact that the regular duties of members of such bodies usually demand their time and interest, and, in relation to regular duties, the ex-officio duties are usually considered as unessential.

9. **No Local Financing:** The Act contemplates the use of State bonds only. These, if the projects do not pay, will be a charge on all of the privately-owned property in the State. It makes no provision whatsoever for the issuance of bonds for specific projects, by individual or joint communities for which such projects will be required. Practically every such project will be of local or district benefit. Many municipalities have already assumed heavy debt charges for their local utilities, but the taxpayers in these communities will be called upon to assume a portion of the burden of debt charges under the proposed Act in cases where far-distant projects are not self-supporting.

10. **Hetch-Hetchy:** The Act could not benefit San Francisco in the completion of the Hetch-Hetchy system or for the distribution of Hetch-Hetchy power, unless the City should transfer its title in at least a part of Hetch-Hetchy to the State. Section 3-h provides that the Board shall have power: "To acquire or consruct for political subdivisions distributing systems for the water or electrical energy **bought from the State** . . ." With a 50% increase in the present water supply under the recent contract with Spring Valley relative to the Hetch-Hetchy Bay Division, the need for completing Hetch-Hetchy will not be urgent for years. The question to be solved in the very near future is the disposal or distribution of power from the Hetch-Hetchy Moccasin Creek plant. The Act will not solve this, without relinquishment of title by San Francisco.

11. **Infringement on Home Rule:** The Act places no restriction on the power of the Board to **acquire, construct and operate** utilities for or in any community, and to fix and collect rates sufficient to repay bond redemption, interest and operating charges. No vote of the people in the communities affected is required, such as is required in the Ontario law, and by municipal Charters under which

municipal ownership has been developed. Such power is in direct violation of the principle of municipal home rule with which California cities have been favored. Under the Act, the proposed Board could purchase a utility at a price it would consider fair, and establish rates based on such price. If the price should be considered as unacceptable by the people of the community served by the utility—as in the case of the price fixed by the Railroad Commission for the Spring Valley Water Company—the action would arouse local resentment that would take years to overcome. Any such power, if used, amounts to the imposition of government on the people, not a successful or desirable method of legislation.

12. **Scientific Valuations May Be Waived:** The Act provides that in any case in eminent domain (condemnation proceedings) brought up by the Board, a jury trial may be demanded and secured "by any party thereto"—which includes the proposed Water and Power Board—and that, if an eminent domain proceeding has been brought before the Railroad Commission, it "shall be dismissed on the filing therein of a written demand by such party." By such provision, the appraisal and evaluation of a complicated plant or property can be removed from the hands of technical men, qualified therefor, and be presented to a jury for determination. The step can hardly be considered as progressive.

The Bureau of Governmental Research believes, on the basis of the sum of the objections enumerated in the foregoing, or certain of the objections standing alone, that the public interest will be best served by the defeat of the proposed Act. Its proponents urge the Act, on the basis of the results of municipal ownership in Los Angeles and other communities, and on the results of the Ontario project. The fundamental principles that made possible the results in Los Angeles, Ontario and elsewhere—sound financing, financing on the basis of specific projects, and proper community participation in financing, subject in every case to free expression of home rule powers by vote of the people—are absent in the provisions of the Water and Power Act, and the lack of these renders the Act unacceptable as a governmental and economic measure.

State Measures to be Voted On

1. Veterans Validating Act: Designed to validate proposed $10,000,000 Veterans Bond Issue, which is No. 3 on the ballot. Not acted on by the Bureau.

2. Wright Enforcement Act: Not acted on by the Bureau.

3. Veterans $10,000,000 Bond Act: Not acted on by the Bureau.

4. Land Settlement, $3,000,000 Bond Act: Not acted on by the Bureau.

5. STATE HOUSING ACT—"shingle bill": Passed by the 1921 Legislature as a consolidation and revision of the Tenement House, Hotel and Lodging House, and Dwelling House Acts. Approval by the people will not prevent future amendment of the lengthy measure by future Legislatures. On the ballot by referendum, invoked because of the provision requiring approved incombustible roofing, or roof coverings of approved composition, fire resistive or fire retardent material. This provision approved by the Fire Chiefs' Association. In view of our understanding of our heavy national fire losses, the increasing necessity for fire-prevention measures, and the effect of this measure thereon, the Bureau recommends that this be APPROVED.

6. Title Insurance: Authorizes the classification of counties as a basis for the regulating of the title insurance business. Not acted on by the Bureau.

7. EXEMPTING VETERANS FROM TAXATION: This extends the existing $1000 Constitutional exemption from taxation now granted to veterans. The existing exemption is limited to those who received an "honorable discharge" and discrimination against navy and marine veterans, who do not receive the formal honorable discharge, but are discharged "under honorable conditions." The same reasons existing for both groups, the Bureau recommends that this be APPROVED.

8. ANNEXATION OF MUNICIPAL CORPORATIONS: This provides that no incorporated city or town shall be annexed or transferred to or consolidated with another municipality without majority consent of the voters of the city or town proposed to be annexed. This being a fundamental principle of municipal home-rule, and of democratic government, the Bureau recommends that it be APPROVED.

9. **CHARTERS—AUTHORIZING FORMATION OF BOROUGHS IN CITIES:** The existing law authorizes borough or district organization within a city (or city and county) only in the original charter, and only by the division of the entire city into districts or boroughs. The proposed amendment authorizes borough organization within a city (or city and county) in either the original charter or by charter amendment, and for all or part of the whole city. It also provides that borough powers, once established, shall not be modified except with the consent of the majority of borough voters. The amendment permits cities to determine for themselves how they shall be internally organized. Borough powers are usually restricted to sectional administrative affairs, which might be slighted by a central government in a city spread over a large area. Recommended that this be APPROVED.

10. **TAXATION OF PUBLICLY-OWNED UTILITIES:** This provides for the assessment and taxation of publicly-owned utility property, except water works, the same as though privately owned. Under our State tax system, the most important item of State revenue is derived by a percentage-tax on gross revenues of utility and other corporations. While it is not contended that our system of taxation is sound, it should be equitably applied until such time as a proper system can be provided.

Revenues derived from utility operations for State expenses are intended to come from the ultimate consumer as a user, rather than as a taxpayer. All citizens using privately-owned street railway systems have to make up part of the burden that San Francisco users of the San Francisco tax-free Municipal Railway escape from. On the other hand, all citizens served by privately-owned electric companies have to make up the tax-burden that the consumers of the Los Angeles tax-free Bureau of Light and Power and twenty other municipally-owned power plants escape from. The exemption is inequitable—all are citizens and taxpayers alike—and with the extension of municipal ownership, the exemption will become more inequitable. Recommend that this be APPROVED.

11. **REGULATION OF PUBLICLY-OWNED UTILITIES:** This amendment provides that publicly-owned utilities, except water works, shall be regulated by the Railroad Commission in the same manner as private corporations, except as regards the issuance of securities. Under such regulations, proper accounting would be required, necessary extensions of service could be ordered, and planned extensions would have to be based on the need for service and the soundness of financing of such proposed extensions.

The proposed amendment does not conflict with the principle of municipal home rule. It provides for a necessary service, to safeguard the interests of taxpayers, that individual municipalities could not provide for their citizens. It would provide definite means whereby taxpayers would be assured of the financial soundness of the utility they owned, and would tend to keep the operation and extension of the utility free from political influence. The Railroad Commission would have no occasion to pass on the subject of rates unless the matter should be brought before it by the municipality operating the utility.

It is of the greatest importance that people should know whether the operation of a municipal enterprise, which is somewhat outside of the ordinary functions of government and the cost of which should be paid by users rather than taxpayers, is on a sound financial basis. Regulation would not prevent the furnishing of free service to or by the utility, but proper accounting procedure would record the value thereof, and the people could tell whether they were losing or saving. The much-discussed question as to whether the Bureau of Light and Power in Los Angeles is making or losing money would no longer be debatable. This would apply to any other municipally-owned public utility.

Some such legislation is essential if municipal ownership is to be on a sound basis. The situation that arose in San Francisco last fall—when the Board of Supervisors, without previous engineering plans or recommendations, and without information of the finances of the Municipal Railway, voted to order the construction of extensions, which, with equipment, would have cost $2,100,000, with only a maximum of $560,000 available therefor—could not recur if the proposed law is enacted. Recommend that this be APPROVED.

12. **EXECUTIVE BUDGET:** This provides for an itemized, comparative biennial budget-estimate to be submitted by the Governor to the Legislature within the first 30 days of the regular session, and that no appropriation bills, except emergency bills recommended by the Governor, shall be passed by the Legislature prior to the final passage of the budget bill. No argument should be

needed in support of a sound budget system, which this measure provides. Recommend that this be APPROVED.

13. **JUDGES' SALARIES:** This provides that the State shall pay $3000 of Superior Court Judges' salaries, and counties shall pay balance of salary as fixed by the Legislature. Under present law, counties and State each pay half. Recommend that this be APPROVED.

14. **TAXATION OF "FOREIGN" STOCKS, BONDS, ETC.:** This permits the Legislature to provide for special taxation, in lieu of all local taxation, on so-called "foreign" securities (securities not based on property within the State), the revenue therefrom to be returned to the local taxing jurisdictions. Under the present system, a 4½% bond owned by a San Francisco taxpayer, is subject to a $3.47 tax. As this would take most of the income, the security is not "declared" to the assessor. The proposed change would permit of a more equitable rate on this class of property, which is expected to result in large amounts of such property being declared. Similar procedure has had a measure of success in New York and Massachusetts. Recommend that this be APPROVED.

15. **RATES FOR STATE TAXATION:** This places in the Constitution the specific rates, with minor changes, of the King Tax Bill, passed by the 1921 Legislature. It also provides for a 2% gross revenue tax on motor-bus transportation; for the deduction in gross revenues (on which tax is paid) of amounts paid to another company when these are included in such other company's gross revenues; and authorizes the Legislature to reclassify utilities for taxation purposes. It has been stated that the main purpose of the amendment is to establish the legality of the King Bill rates. The Legislature has the power by a two-thirds vote to change the rates charged on the gross earnings of utilities, and these have been increased by legislative act in 1913, 1915 and 1917, as well as in 1921. This is the first attempt, however, since the adoption of the taxing system in 1910, to write such changes into the Constitution. Although there may be some justification in fixing a tax rate limit in the fundamental law of states, cities or counties, there is every reason against fixing a tax rate therein, particularly when the taxing procedure is as technical as that provided by our state system. The desirable features of the amendment are, in the opinion of the Bureau, outweighed by the undesirable. Recommended that this be NOT APPROVED.

16. Chiropractic Act: Not acted on by the Bureau.

17. **USE OF WATER IN STREAMS OUTSIDE THE STATE:** This permits individual or joint action by the State, or political subdivisions, with the Federal government, other states, or with each other, for developing water and power utilities, and flood protection on waters without, or partly within and partly without, the State. Authority is granted for the acquisition and operation of plant, for contracts to cover participation in costs and benefits, for membership or shareholding in organizations of political subdivisions formed for the purposes of the Act, and for the incurrence of bonded indebtedness under existing laws.

This is deemed a proper extension of State and municipal powers for necessary co-ordinate action, and is stated as being a necessary preliminary to joint action with the United States on Colorado River development. The amendment does not carry the safeguard of requiring the approval of projects by the people in the political subdivisions affected, but the incurrence of bonded indebtedness by such subdivisions will require a vote of the people in all cases. Recommended that this be APPROVED.

18. **MUNICIPAL CO-OPERATION IN PUBLIC UTILITY DEVELOPMENT:** This authorizes contracts between two or more municipalities for joint action in the acquisition, construction or operation of public utilities, or other municipal affairs of common concern. Contracts must be approved by the electors, and if bonded indebtedness is involved a two-thirds favorable vote is required. Contracts approved by the electors must then be approved or rejected by the Legislature in the same manner as Charter amendments, and are subject to future amendment or termination by vote of the people of the communities participating. This is a constructive amendment, based on the frequent necessity for co-operative municipal action, and properly safeguards municipal home rule rights in the procedure provided. It is a partial alternative, based on sound principles, to the proposed Water and Power Act. Recommended that this be APPROVED.

19. **WATER AND POWER ACT:** This provides for practically unrestricted State action in water development, and carries a $500,000,000 blanket appropria-

tion for unspecified projects. Its broad powers and financial provisions are unprecedented, either in the Ontario plan or in municipal ownership in the United States. Neither civil service nor municipal home rule powers are safeguarded, and local financing for local projects or plants is dispensed with. **See detailed discussion in accompanying separate article.** Recommended that this be NOT APPROVED.

20. Osteopathic Act: Not acted on by the Bureau.

21. **PROHIBITING SPECIAL IRRIGATION DISTRICT LAWS:** This would prohibit the formation of irrigation, reclamation, drainage or flood control districts by special law as at present, and would require the organization and government of all such districts to be regulated by general law. General laws for these matters would have the advantage of standard requirements, which should be desirable from the standpoint of financing, cost of financing, and control by the citizens who are destined to be benefited by such district operation. It has been stated that general laws could not cover the wide range of conditions existing in California; general laws, however, can be amended at every session of the Legislature in the same manner as a special law could be passed. General laws are required for cities to the exclusion of special laws, and the diverse conditions between cities of varying size is taken care of by classification. Undesirable features in special laws would probably not attract the attention and opposition as would the same matter in a general law. Recommended that this be APPROVED.

22. **ABSENT VOTERS:** This is intended to permit of voting by registered voters who are absent from their precincts on election day. It restricts such absent voting to those **regularly** required to travel about the State and those in the military or naval service. It is discriminatory in that it grants absent voting rights only to those regularly required to travel. It is also claimed that the law as written will involve serious administrative difficulties. Recommended that this be NOT APPROVED.

23. **DEPOSIT OF PUBLIC MONEYS:** This permits the deposit of moneys in the custody of the State or political subdivisions, in the same manner as moneys belonging thereto. It authorizes all political subdivisions to deposit moneys in banks outside the State for the payment of interest or principal on bonds, which is simply an extension of the power now granted to the State, cities and counties. Recommended that this be APPROVED.

24. Regulating the Practice of Law ("Sample Bill"): Not acted on by the Bureau.

25. **APPOINTMENT OF JUDGES PRO TEMPORE:** This adds to the present law (which authorizes the appointment, as judges pro tempore in Superior Court actions, of any member of the bar, agreed upon in writing by the parties or their attorneys) the words "approved by the Court". The provision is intended to prevent collusion between litigants, especially in divorce cases, through the present unrestricted authority of litigants or attorneys to appoint judges pro tempore without any action by the Court. Recommended that this be APPROVED.

26. **SCHOOL DISTRICTS:** This authorizes the formation of school districts embracing territory in more than one county, with the same provisions relative to taxation and the issuance of bonds for school purposes, as are now effective for other school districts. School districts should be formed in accordance with needs from a school standpoint. These are not now restricted to city boundaries, and should not be restricted by arbitrary county boundary lines. It is stated that over 100 "joint school districts" are affected, and that the amendment will remedy a doubt as to the validity of the bonds of such districts. Recommended that this be APPROVED.

27. **RESTRICTING THE INITIATIVE ON TAX MEASURES:** This increases the number of signatures required (from the 8% of qualified electors) to 15% on initiative amendments to the Constitution, when these relate to assessments or collection of taxes. This is not considered by the Bureau as an unwise restriction of the initiative. Any taxing system is a highly technical matter, and the only effect of the increased number of signatures required will be to add to the difficulty of tampering therewith. The higher number required will not be a bar to a sound measure on which the people can be convinced of the merits. Initiative amendments to the San Francisco Charter and all other city or county

Charters in the State require signatures of 15% of the number of qualified electors. It is stated that four of the 21 states having the initiative require 15% on all Constitutional amendments, and one does not permit the initiative for amending the Constitution. It is also stated that the purpose of the amendment is to make more difficult the placing of the single tax amendment on the ballot every two years; Ohio does not permit the use of the initiative for placing single tax measures on the ballot. Recommended that this be APPROVED.

28. Prohibiting Vivisection: Not acted on by the Bureau.

29. **SINGLE TAX:** This seeks to abolish the whole existing system of state and local taxation, to abolish private ownership of land, to abolish taxes and license or permit fees or charges, etc., and to substitute therefor the so-called "single tax"—the holding of land as a special privilege under franchises granted by the government, the annual assessment of such franchises at their full rental value, and the apportionment of money so derived to the State and political subdivisions for the payment of all governmental expenses.

Discussion of the damage of the social effect of this proposed measure, its effect on existing financing based on real estate values, and its constitutionality under the Federal Constitution will be left to others. Under the operation of the single tax, all governmental costs would have to be borne by that part of the land of the State that is now actually used or desired for use. The practical effect would be to tremendously increase the tax burden on such land. This would come as the natural result of (1) loss of taxes now derived from other land that is now carried on the assessment roll; (2) loss of State, County and municipal revenues now derived from license or permit fees on businesses requiring regulation or special governmental services; (3) loss of State, County and municipal revenues on such holdings as money, stocks, bonds, improvements, etc., and such other sources as inheritance taxes, taxes on revenues of corporations, auto licenses, etc.; (4) the additional burden of costs of all local improvements, which are now levied as special assessments against property benefited by such improvements; etc.

A taxation system such as that of the State is a highly technical procedure, and no self-governing people could logically scrap what it has, even though imperfect, in favor of an alternative, the results of which cannot be foreseen even by its proponents. No tax expert would approve of any scheme which is not only visionary, but which could not be operated to produce a method of meeting governmental costs on the basis of benefits derived and ability to pay.

The amendment, should it ever carry, would damage the credit of the State, would free many persons and businesses benefited by government from any obligation or participation in meeting the costs of government, and would substitute for our present tax system, admittedly defective, a system that would be infinitely worse and infinitely more inequitable. Recommended that this be NOT APPROVED.

30. **FRANCHISE POWER TO RAILROAD COMMISSION:** This places franchise granting power in the Railroad Commission, relative to street, interurban and suburban railways and motor vehicles transporting persons and property for hire; authorizes the Commission to accept surrender of franchises heretofore granted (by the State and political subdivisions); declares that franchises granted pursuant to its terms shall have no pecuniary value in rate-fixing proceedings or in eminent domain proceedings of political subdivisions to take property for public use; and provides that publicly-owned utilities shall not be affected by the amendment.

This is considered by the Bureau as a necessary extension of centralized, scientific, regulatory powers. The principle involved has been sanctioned by vote of the people of the State, relative to the centralized regulation of utility rates and service by the Railroad Commission. It is the same principle as that involved in the regulation of interstate commerce by the Federal Interstate Commerce Commission.

From the standpoint of its local effect, the amendment, in the opinion of the Bureau, will not interfere with purchase by the City of the Market Street Railways, but on the other hand will probably expedite such purchase, and will result in a lower purchase price than under existing conditions. In the event that it takes the City as long to purchase the Market Street Railways as it has to purchase the Spring Valley water system, the amendment offers a means of ending the fourteen-year stagnation of transportation development that has strangled San Francisco, and will permit of the extension of Market Street Rail-

way lines, under proper resettlement franchises,—the terms of which will, without any question, be based on ultimate municipal acquisition. Recommended that this be APPROVED.

Charter Amendments on the November Ballot

31. Shall Board of Supervisors Memorialize Congress to Modify Volstead Act? Not acted on by Bureau.

32. INITIATIVE MEASURE TO IMPROVE CIVIL SERVICE: This brings under Civil Service ten administrative offices now filled by election (Auditor, Assessor, County Clerk, City Attorney, Sheriff, Treasurer, Tax Collector, Recorder, Public Administrator and Coroner) and "blankets in" the incumbents as Civil Service employees. It brings under the classified Civil Service all positions now exempt from Civil Service except elected officials, officials appointed by the Mayor, Chief of Police, Fire Chief, teachers, library force, five assistants of the District Attorney, temporary employees and employees on Hetch-Hetchy project outside of City, and "blankets in" under Civil Service incumbents in positions heretofore exempt, provided that they have been employed in such positions for one year prior to the adoption of the amendment. It prohibits political activity on the part of a member of the classified Civil Service.

The amendment also provides for classification of employments and the determination of salary scales by the Civil Service Commission, such salary schedules to be amended, adopted or rejected by the Supervisors except that Civil Service maxima cannot be exceeded, and provides that, for salaries out of line with such schedule, the Supervisors may prescribe the time and manner of bringing these under such schedule. It further provides for transfer of employees between departments and that, for positions filled by "temporary appointment," no person can receive compensation for more than sixty days. It provides also that department heads shall have full power to suspend or dismiss, subject to right of employee to appeal in writing to the Civil Service Commission, which body, after examination, is empowered to call the attention of the Mayor to any case of unjust dismissal. The Mayor is given the power in any such case to order reinstatement and the payment of back compensation. The amendment carries a mandatory appropriation of 2/10 of 1% of payrolls for a period of three years for salary standardization (equivalent to approximately $22,000 per year) and 3/10 of 1% of payrolls (equivalent to $33,000 per year) for other Civil Service functions.

Amendment No. 32 is an honest attempt by non-partisans and non-politicians (with whom the Bureau co-operated) familiar with the defects of civil service to improve the civil service of San Francisco, and to simplify San Francisco's municipal organization by placing under civil service officials now elective whose duties are purely administrative. It will wipe out the two principal defects of local Civil Service procedure ("temporary employments" and exempt positions), will put salary fixing on a sound equitable basis in place of the present individual discriminatory basis, and will stimulate the whole service by the opening up of channels of promotion.

Hiram Johnson said, in his inaugural address as Governor in 1911: "The most advanced thought in our nation has reached the conclusion that we can best avoid blind voting, and best obtain discrimination of the electorate, by a short ballot." Theodore Roosevelt, Chas. E. Hughes, Wm. H. Taft, Woodrow Wilson, Chester Rowell and many other leaders have testified to their belief in the short ballot, as one of the most important of the things to be done to improve government. The election of minor officials tends to cloud the issue in regard to the important offices. Last year the principal political fights were waged over the offices of Recorder and Public Administrator—offices where little or no question of policy is concerned, but where the official should be an expert to supervise the work.

We do not vote for the City Engineer, the Chief of Police, the Health Officer, or others, yet each of these officials has more to do with determining policy than the officials which this amendment will bring under civil service. These will not be "blanketed in for life"; they are brought under civil service and made subject to dismissal just the same as any other civil service employee.

Every official elected by the people is independent of any other official. The people do not select the candidate; they simply vote on the candidate whom some group presents. We cannot call the Mayor the "Chief Executive," and hold him

and the Board of Supervisors responsible for good government and economy, when we have twelve other administrative officials with independent authority to do just as they choose. A business corporation run in such a manner would be wrecked before it started. "More business in government" is the only solution of our governmental ills.

The amendment will accomplish these things:

1. It will take out of the elective column and bring under civil service, subject in the future to appointment by the Mayor from civil service lists, ten offices where trained expert service is required, not simply persons who can get votes.

2. It will prohibit political activity of all civil service employees—thus breaking up existing political machines and removing political power from existing political bosses, if and where these exist.

3. It will bring under civil service the chief deputies, confidential clerks, and others (heretofore appointed by individual elective officers without restriction) and will bring under Civil Service large groups such as park and playground employees, and the staffs of the City Attorney's and District Attorney's offices.

4. It will provide for salary standardization on the basis of employment classification by the Civil Service Commission, subject to acceptance or rejection by the Supervisors, provided that the Supervisors cannot exceed the civil service maximum schedules. This will put compensation on the basis of merit, and in relation to other city services, and will end separate grading between departments and personal influence and discrimination in fixing salaries.

5. It will authorize the transfer of employees from one department to another, which is now impossible under the Charter.

6. It will end the "temporary appointment" evil. Some employees on 60-day "temporary appointments" have been employed for years. The amendment limits salary to 60 days for any person on a temporary appointment.

7. It will open promotional channels in all departments from the top to the bottom. Under existing conditions, civil service employees never get the opportunity of qualifying as heads of departments and chief deputies, as these are filled by election and by spoils-system appointments.

8. It will make each department head responsible for his department by giving him proper disciplinary and dismissal powers. This cannot be abused, as he will still have to fill every vacancy from a civil service list, and the Civil Service Commission and the Mayor are empowered to investigate and reinstate, in any case of unjust dismissal.

9. It will tremendously improve the governmental organization of the City and County, by placing under the Mayor, subject to Civil Service, the heads of ten administrative offices of the City. The executive control of city business by the Mayor, now nominal only, will be strengthened, and he can then be held responsible for the efficient conduct of these phases of city business.

Recommend that this be APPROVED.

33. **PLACING ASSISTANT DEPUTY CORONERS UNDER CIVIL SERVICE:** This "blankets in" under Civil Service ,incumbents who have served for one year as Assistant Deputy Coroners (female). These positions are now included in the classified Civil Service, and the intent of this amendment is to appoint two incumbents to Civil Service positions without Civil Service examination. This is discriminatory personal legislation. Recommend that this be NOT APPROVED.

34. **INCLUDING SHERIFF'S EMPLOYEES UNDER CIVIL SERVICE:** This brings under Civil Servce the positions of chief bookkeeper and cashier in the Sheriff's office and "blankets in" under Civil Service incumbents who have continuously served for five years in such positions. Although this is personal legislation that should not be a part of the Charter, the Charter as it stands is deficient in exempting these and other specific positions. The amendment is sound to the extent that it "blankets in" both the positions and the employees and is a slight improvement from the Civil Service standpoint in that it reduces the number of "exempt" positions. Recommend that this be APPROVED.

35. **OPEN MEETINGS OF BOARDS AND COMMISSIONS:** This provides that all regular or special meetings of Boards or Commissions, except Civil Service meetings to approve payrolls or consider examination questions, shall be open to the public and that public notice of meetings shall be given. This was

proposed by the Labor Council and was stated as being directed principally at Civil Service Commission hearings on appeals of employees against disciplinary action. Recommend that this be APPROVED.

36. **ADDITIONAL DETECTIVES:** This authorizes the Chief of Police to detail for detective duty the equivalent of one man for each eighteen members of the force. This will permit the appointment of 55 detective sergeants instead of the twenty-five now specified by the Charter. Detailed specification of forces and salaries is one of the defects of the existing Charter, and city business will probably be improved if such detail is wiped out entirely. It was stated that many police officers now detailed for detective duty cannot be given the same title and pay as regularly appointed detective sergeants with whom they work. Recommend that this be APPROVED.

37. **POLICE AND FIRE PENSIONS:** This is in two sections which provide, respectively, that the judgment of the Police and Fire Commission shall be final in passing on the question of whether the disability, upon which a pension has been granted, has ceased. This is another simple administrative change. Recommended that it be APPROVED.

38. **REGISTRATION OF VOTERS:** This provides for the employment of registration deputies at a compensation of not to exceed 10c per name, which is in lieu of the $125 flat salary now provided. The Registrar states that the present cost of registration on the salary basis averages over 15c per name, and estimates that primary registration would have been 230,000 instead of 190,000 if piece-rate registration had been in force this year. Recommend that this be APPROVED.

39. **VOTING MACHINES:** This permits the use of voting machines in San Francisco, when the State law shall be amended to authorize such use. Recommend that this be APPROVED.

40. **EXEMPT FUTURE DEBT FOR FOREIGN TRADE ZONES:** This declares foreign trade zones (as authorized by Act of Congress) to be "public utilities," and provides that when the Board of Supervisors, in ordinances calling a bond election for such purpose, shall declare that foreign trade zone rates to be fixed shall be such as to create surplus earnings sufficient to pay interest and redemption charges on such bonds, the bonds (which will require a two-thirds vote of the people) shall be excluded from the existing bonded debt limit of 15% of assessed valuation. Congressional action to authorize foreign trade zones has not as yet been taken, but it is deemed essential that San Francisco should be in position to act when the necessary Federal law is passed, if the risk of losing the zone, to the consequent detriment of San Francisco's future growth and foreign trade possibilities, is to be avoided. Recommend that this be APPROVED.

41. **HIGHWAY CONSTRUCTION OUTSIDE OF COUNTY:** This permits the expenditure of money by San Francisco for highways outside the City and County, when these are authorized by the County within which the highway is to be located, and authorizes the payment of such funds to a duly constituted body authorized to construct such highway. This has special application to the proposed East Side Highway to be constructed by a Joint Highway District Commission authorized by State law. This is probably not required, as the Joint Highway District Act of 1917 provides for financing such projects, but by being in the Charter as well as specified by State law, will remove any question as to San Francisco's expenditures thereunder, and offers the means of providing other methods of financing if these are deemed necessary. Recommended that this be APPROVED.

42. **AUTHORIZING OFFICIAL ADVERTISING IN CITY "MUNICIPAL RECORD":** This permits the Board of Supervisors to publish official advertising required by City or State law in the weekly "Municipal Record," and provides that when five days' publication or less is required, one publication will be equivalent thereto; six to ten days, two publications; over ten days, one publication for each week or fraction thereof. Official advertising is now carried in one of the morning papers at a cost of approximately $34,000 per year; it is estimated that the cost to the City on the weekly basis will approximate $12,000 more than the present cost of the "Record," which promises a saving of $22,000.

Official advertising is largely pro forma matter, which is not widely read or, more accurately, is probably not even glanced at by anyone whose official duties do not require it. The number of publications required varies from one day, for awards of contracts for supplies, to fourteen days for notices of a bond election. These have been arbitrarily determined in most cases, and, like most of the official advertising, are hold-overs from a previous cycle in public affairs, when the distribution of the official advertising was a prolific source of patronage and the main support of many a small paper.

The ineffectiveness of "official advertising" is recognized by State and local laws relative to street improvements and assessments, wherein postcard notices to property owners affected are required. On all important matters that attract public interest, the news columns are depended upon for public information. This can be realized by a consideration of recent important events that attracted public interest, such as the school bond issue, Market Street Railway purchase proceedings, the passage of the budget, the fixing of the tax rate, etc.

The publication of official advertising usually does not begin until after some definite action has been taken. This, relative to legislative affairs, is designated as "passage to print," after which time public interest and interposition is practically ineffective. "Passage to print" usually marks the end of the consideration of any matter, "final passage" being principally a formal ratification of the previous action.

Cleveland, Boston, and Toledo handle their official advertising effectively in the manner proposed by the amendment. Recommend that this be APPROVED.

43. **EXEMPTING FUTURE DEBT FOR WATER AND POWER DEVELOPMENT:** This provides that the debt limit of 15% of assessed valuation shall not apply to bonded indebtedness hereinafter incurred for works acquired or constructed for furnishing and delivering Hetch-Hetchy power, or acquired or constructed for furnishing or delivering water. This does not affect bonds previously authorized, nor bonds that may be issued for the purchase of the Market Street Railway; the exclusion of the latter bonds is proposed by Charter Amendment No. 53 on the same ballot. It also does not, of itself, authorize any future bond issue; these would still require a 2/3 vote of the people.

The leeway under the 15% debt limit has been stated by city officials as approximately $2,000,000, if the $12,000,000 school bond issue carries, in which estimate $5,000,000 of Hetch-Hetchy bonds, authorized but not yet sold, are considered as "outstanding." If the Bureau agreed with this figure, it would recommend that the proposed amendment be approved. Exposition bonds, however, amounting to $3,400,000, are excluded from the 15% limit, and in the opinion of the Bureau, school bonds already issued, amounting to $7,075,000, and the proposed $12,000,000 school bonds, are also excluded. (The Political Code authorizes bond issues up to 5% of assessed valuation for high schools and 5% for elementary schools, which, in the opinion of the Bureau—based on court decisions cited in an opinion of the Attorney General—takes bonds, not in excess of $30,700,000 for each, out of the Charter 15% limit.) These exclusions would leave a leeway, under our present 15% limit, of $25,400,000, which would be augmented by the $5,280,000 unsold Hetch-Hetchy bonds—a total of $30,650,000. This figure would be increased by $2,047,000 redemptions per year.

The urgency of the purchase of Spring Valley, which existed at the time of the purchase election of 1921, has been temporarily postponed by the recent contract between the City and the Company, under which the Calaveras dam is being raised and the Hetch-Hetchy Bay Division constructed. Upon completion of these works, San Francisco's present water resources will be increased 50%. The completion of the Hetch-Hetchy system below the Moccasin Creek power house is likewise not of immediate urgency, nor is this contemplated for the immediate future, as far as we know.

The problem to be solved in the immediate future has two related parts—(1) the bringing of Hetch-Hetchy power from Moccasin Creek to the city limits, the transmission line for which is estimated to cost $3,000,000; and (2) the sale or distribution of the power to be produced. If the power is to be distributed, a portion of the existing privately-owned distributing system must be acquired, which may require from $15,000,000 to $20,000,000. If the power is to be sold and City distribution to be postponed for a few years, this investment by the City

will not be immediately required. The only other immediate need that has been proposed is a $2,000,000 bond issue for Municipal Railway extensions.

With a $25,400,000 leeway under our present debt limit (which takes into account the $12,000,000 school bonds soon to be voted on), and $5,000,000 to $10,000,000 Hetch-Hetchy bonds and bond funds available, it is considered as not unwise to maintain the existing bonded debt limit until such time as operations from bond funds already authorized and expended begin to produce revenue to reduce the tax burden for debt; this for the current year, amounts to over 20% of the tax levy. Recommend that this be NOT APPROVED.

44. **AUTHORIZING FIVE YEAR LEASES FOR PARK CONCESSIONS:** This permits the Board of Park Commissioners to lease concessions for a period of five years. It is requested by the Park Commission, on the basis that the longer term of contract will enable the Commission to improve the concessions and the responsibility of concessionaires. Recommend that this be APPROVED.

45. **AUTO PARKING STATION UNDER UNION SQUARE:** This permits the Board of Park Commissioners to utilize, or to lease for not to exceed fifty years, the sub-park space under parks and squares for garage or auto-parking purposes, providing that such use is not detrimental to park purposes and will not interfere with the public use of parks for park-pleasure purposes. This is permissive only, and is for the specific purpose of empowering the Park Commission to act favorably or unfavorably on a project proposed by private interests for an auto-parking station under Union Square. Recommend that this be APPROVED.

46. **INCREASING POLICE JUDGES' SALARIES:** This increases the salaries of Police Judges from $3,600 to $4,800 per year. The Bureau's position on salaries of municipal officials has always been without regard to whoever happened to be the incumbents, and with the thought that better salaries for responsible municipal offices raised the dignity of such offices and enabled the City to draw upon larger numbers of citizens eminently qualified for such offices. Recommend that this be APPROVED.

47. **REFUND OF ILLEGAL TAX LEVIES TO ALL TAXPAYERS:** This directs the Board of Supervisors to refund to all taxpayers the amount of any illegal tax paid when the Supreme or Appellate Courts shall have decided that any portion of a tax levy made **prior to the adoption of this amendment** was illegal. It provides also that the tax rate to raise the sum necessary for such refund shall be in addition to the Charter tax-rate limit of $1.65.

This amendment is the result of recent court decisions upholding taxpayers' contentions that the 1908, 1909 and 1910 tax rates were illegal. It is estimated that the City will be required to refund over $1,250,000 over a period of ten years to those taxpayers who paid their taxes under protest, sued and secured judgments against the City. The purpose of the amendment is to enable the City to refund such illegal tax levies to **all taxpayers,** including those who paid without protest,—this on the theory that the small taxpayer had no money for court action, that only the wealthy taxpayer has been protected by the law, and that the refund ordered by the Court is thus discriminatory.

It has been stated, however, that San Francisco, through official channels, secured a change in the law, some years ago, which change closed the door to the small taxpayers' existing recourse against illegal tax levies. The change was to prohibit the assignment of tax claims, and is stated as having been secured at Sacramento, as a result of the large number of pending assignments and ultimate suits, relative to tax rates popularly held to be illegal.

No estimate of the cost of refund to all taxpayers has been made, but an unofficial estimate, or a guess, of $4,500,000 has been advanced. This would require $450,000 per year for ten years, or an annual tax of 7½c. The administrative difficulties would be tremendous, and probably a large number of the taxpayers of twelve and fourteen years ago will be impossible to locate for such refund.

The City Attorney had previously informally and unofficially expressed a doubt as to the legality of the procedure contemplated by the amendment. For this reason, the amendment was passed by the Judiciary Committee without recommendation, with the understanding that when the matter came before the Board of Supervisors, the City Attorney's opinion as to legality would be requested before the Board took action. This was not done and the amendment

was "ordered submitted" by the Board without further consideration. The Bureau, therefore, reserves judgment on the amendment until it can more fully investigate the question of legality.

48. **AUTHORIZING THE SALE OF PUBLIC LANDS:** This authorizes the City to sell fire, school and other lands (excepting parks, squares and playgrounds) when no longer useful or desirable for the purpose for which acquired—proceeds of sale of school lots to be used exclusively for purchase of additional school lands and proceeds of sale of Fire Department lots to be used exclusively for the purchase of other Fire Department land or for erecting fire houses. The procedure of sale of such property is adequately safeguarded. This is necessary power which should be vested in the City through its officials. The case of valuable school lands at Fifth and Market and Bush and Stockton Streets, no longer useful for school purposes, were cited as emphasizing the need for such provisions. Recommend that this be APPROVED.

49. **PUBLIC SERVICE COMMISSION:** This authorizes and directs the Board of Supervisors by ordinance to create a Public Service Commission, to be appointed by the Mayor, for the purpose of operating and maintaining the public utilities now owned or later acquired by the City. Public utilities are now under the control of the Board of Public Works, subject to appropriating power, relative to utility revenues, bonds and bond sale proceeds, vested in the Board of Supervisors. A Water Commission was proposed in connection with the 1921 Spring Valley purchase election, but was not submitted. The recent difficulties of dual control in connection with Municipal Railway extensions and the financing thereof, emphasized the need for independent, informed and specialized control of the city's public utility enterprises. Practically all cities where municipal ownership has been successful and effective—Detroit, Boston, Los Angeles, New York and others—have operated through an independent commission. The proposed amendment is in lieu of a detailed amendment originally proposed, the intention being to provide similar detail by ordinance, which, if found sufficient, can be incorporated in the Charter two years hence. Recommend that this be APPROVED.

50. **INCREASING SALARIES OF COUNTY OFFICERS:** This increases the salaries of the Auditor, County Clerk, Treasurer, Coroner, Recorder and Tax Collector, now $4,000 per year, and the City Attorney and District Attorney, now $5,000 per year, to $6,000 per year. For the reasons outlined in connection with increases for police judges' salaries (No. 46) the Bureau recommends that this be APPROVED.

51. **IMPROVING PURCHASE PROCEDURE:** This creates a Bureau of Supplies, to be headed by a Purchaser of Supplies appointed by the Board of Supervisors, at a salary to be fixed by ordinance, with authority to purchase all supplies for all departments except the Public Library, and to sell personal property of the City when authorized by the Board of Supervisors. Present employees of other departments, exclusively engaged on supplies duties, are transferred to the Bureau, and additional employees, if and when authorized by the Supervisors, shall be appointed subject to civil service rules. The amendment requires that detailed purchasing procedure shall be established by the Supervisors by ordinance, to which procedure the existing Charter annual-contract limitation and the limitation of monthly expenditures of one-twelfth of the annual allowance shall not apply.

This is considered as one of the most important of the amendments to be voted on. By its provisions, independent purchasing powers now vested in several departments are repealed and the City's purchasing procedure is centralized. It provides that the purchasing procedure to be established can be built on a business-like basis, and that the hampering annual contract procedure and the one-twelfth limitation on monthly expenditures need not restrict the City's purchases.

Practically all large and many small cities, as well as many states, have put their purchasing on a business-like basis. A charter amendment, adopted in 1912, to create a Bureau of Supplies, could not be made effective by reason of its lack of a sufficiently definite repealer of existing restrictions. Charter amendments to enable San Francisco to purchase on a business-like basis were proposed in 1918 and 1920, but were not submitted. With a qualified, expert Purchasing Agent and a business-like procedure which this amendment will make possible,

San Francisco will be in position to purchase almost as effectively as any private corporation, and should have at least $200,000 per year by lower prices and better buying. Recommend that this be APPROVED.

52. **TUBERCULOSIS HOSPITAL OUTSIDE OF COUNTY:** This permits the construction or acquisition and operation of a tuberculosis hospital outside of the county limits, or the contracting with other cities or counties for the care of San Francisco tubercular patients. This is ordinary administrative power that San Francisco, through its officials, should have. It was stated that the amendment is specifically designed to clear up any question relative to the legality of the City's contract with Alameda County for the care of tubercular patients. Recommend that this be APPROVED.

53. **MARKET STREET RAILWAY PURCHASE:** This enables the City to purchase the Market Street Railway lines situated outside of the county limits, and provides that any indebtedness incurred in such purchase shall not be subject to the bonded debt limit of 15% of assessed valuation. In the opinion of the Bureau, unification and proper extension of the City's transportation facilities are essential to the growth of San Francisco. Unification can come only by City purchase of the Market Street Road or vice versa. Proper extension can come only by removing present franchise limitations affecting the private company (such as under the provisions of the Franchise Amendment, No. 30 on the ballot) or by city ownership which will not be thus restricted. This amendment is necessary to clear the way for city purchase of the Market Street property as a whole, and to avoid the present restriction on bonded indebtedness, which would prevent the purchase, unless the purchase price is excluded therefrom. Recommend that this be APPROVED.

The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. II November . 1922 No. 15

Civic Organizations Endorse Bureau

The Fate of the Civil Service Amendment

Boards and Commissions
Charter Article No. 9

San Francisco Advanced by Charter Changes

School Building Program Assured

Issued by

San Francisco
Bureau of Governmental Research

58 Sutter Street San Francisco, California

The City

Issued monthly by the

San Francisco Bureau *of* Governmental Research

"An incorporated non-partisan citizens' agency to study public business, cooperate with officials and specifically work for economy and efficiency in municipal affairs."

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Civic Organizations Endorse Bureau

Prior to the effort now in progress to re-finance the Bureau for its fiscal year 1922-23, the Trustees requested a number of organizations to appoint representatives to investigate the work of the Bureau. The requested investigation was for the purpose of determining: first, the need in San Francisco for a citizens' agency for municipal research, and, second, how the Bureau, as organized and conducted, meets such need. A copy of the report made by these representatives under date of October 26th, is as follows:

The undersigned have been appointed by the organizations listed to examine into the operation, management and service performed by the San Francisco Bureau of Governmental Research and are reporting to their organizations as follows:

1. The Bureau is organized for the continuous and thorough examination of municipal operations and for the scientific study of more efficient and economical methods in the conduct of municipal business.

2. The work of the Bureau is non-political and non-partisan; it does not duplicate the work of any other civic organization, but it co-operates effectively with all other civic organizations. Its conclusions are reached through scientific investigation and it seeks to obtain results through close co-operation with city officials.

3. The record of the Bureau is one of great achievement and of substantial accomplishments in the direction of greater economy and greater efficiency in the conduct of the City's business.

4. If properly supported, its program looks to still greater service in the future.

5. Its conduct and management are in the hands of a capable body

of Trustees, who are entitled to the confidence and support of the entire body of citizens and taxpayers.

6. The budget of the Bureau calls for the sum of $30,000 per annum for the next three-year period. We hope that the Bureau may be successful in the securing of the budget from the community. On its record and program, and the public benefits arising from its work, it is entitled to this support.

* * *

This report is being transmitted to the organizations represented, and is supplied to the Trustees of the Bureau for such use as they may wish to make of it.

GEO. C. BOARDMAN, Representing the Real Estate Board.
R. W. SIMMONS, Representing the Kiwanis Club.
RUSSELLA WARD, Representing the Apartment House Owners' and Managers' Assn.
MRS. PARKER S. MADDUX, Representing the San Francisco Center.
ROBT. R. YATES, Representing the Clearing House Assn.
FREDRICK A. WILSON, Representing the Down Town Assn.
D. G. DAVIS, Representing the Chamber of Commerce.
FREDRICK WHITTON, Representing the Building Owners' and Managers' Assn.

The Fate of the Civil Service Amendment

Charter Amendment No. 32, designed to improve Civil Service, was voted down overwhelmingly at the November 7th election—26,601 for, 90,145 against, of a total of 116,746 votes polled on the measure. Its overwhelming defeat was a foregone conclusion when business organizations which had previously indorsed it reconsidered their indorsements and recommended against it. Reconsideration was stated to be based on the conviction that the amendment, if carried, would have had a demoralizing effect on the discipline and morale of the Fire and Police Departments.

The amendment attracted widespread opposition in municipal circles—to a considerable extent, it seems, because of opposition to things that were not in the amendment. It was attacked principally for the ascribed reason that taking away from the people the right to vote for their administrative officials was un-American, and undemocratic; it was criticized as "vicious" on these grounds. On the same day, Baltimore was voting to abolish its antiquated, unworkable two-house council, and Los Angeles was voting to bring its City Clerk and City Treasurer under Civil Service and to provide a proportional representation system of electing its officials. In both cities, just as here and just as in every city where a fundamental change has been under consideration, a large part of the opposition was based on the same grounds—vicious, un-American, a threat to our institutions, etc. As Chester Rowell has stated, the

fallacy of the perfection of our institutions, even after they have proven unworkable, is what has prevented their being improved.

The Bureau took a part in the drafting of the measure, and needless to say, had no axes to grind, no friends to try to reward, and no motive other than the improvement of governmental procedure and the good of San Francisco. It has been stated that those who formulated the amendment erred in judgment in not submitting the amendment to the Supervisors in the same manner as any other proposed Charter amendment. Previous official and unofficial contacts, however, relative to salary standardization, indicated that there would be little hope of securing serious consideration for such an amendment.

It lost principally because it lacked organized support, and because it encountered strong organized opposition. If it were fundamentally wrong in the points on which it was attacked, the Bureau would have had no part in its drafting; the points brought up were by no means new, and in its six years study of local governmental processes and governmental methods and changes throughout the country, the Bureau has come upon them frequently. If, after having assisted in its drafting, the Bureau had found that a dangerous provision had crept in or had been overlooked, it would have done all in its power to correct the error by helping to insure the defeat of the amendment.

The proper interests of citizens and city employees are not and should not be opposed. There can be no question that the city employees acting through their organizations were uncompromisingly opposed to Amendment No. 32, on the basis of its taking fire and police salaries out of the Charter, giving the Civil Service Commission power of review over Police Commission disciplinary action, blanketing in elective and appointive officials and employees, and because of distrust of the Civil Service Commission. (It was assumed that this body was given greater power under the amendment.) It is to be hoped that Amendment No. 32 shall not have been proposed in vain and that out of it will grow a concerted action for Charter betterments two years hence that will meet the approval of those individuals and organizations who at this time found No. 32 unacceptable.

Boards and Commissions

CHARTER ARTICLE NO. 9.

In each of the preceding articles discussing various phases of the San Francisco Charter, it has been necessary to touch upon the question of organization. Almost every governmental process is affected by the city's organization plan and the procedure that this plan has necessitated. As was outlined in the first article, we have provided a chief executive with little or no procedure for functioning as such; on the other hand, we have set up many officials independent of any control other than that of

popular vote every four years, and have centered the bulk of administrative and executive power in our legislative body.

This article will touch upon the boards and commissions, appointed by the Mayor, and in charge of all the operating departments of the city. It should be recalled, to begin with, that the administrative officials who are elected by the people are independent of the Mayor's authority or control. Although they head, respectively, twelve administrative departments, they have little responsibility to the chief executive for the conduct of such departments. It should be plain, therefore, that the Mayor, although considered as the chief executive, can exercise little or no routine administrative control over the functions of these offices.

The other operating departments of the city, although under the Mayor, are in each and every case headed by a board or commission. The Department of Public Works is headed by the only full-time paid board, the Board of Public Works, composed of three commissioners. Four other departments—Fire, Police, Elections and Civil Service—are headed by paid commissions, of four, four, five and three members respectively. The other departments are headed by unpaid commissions—Playground Commission, five appointive members and one ex-officio; the Board of Health, seven members; the joint Board of Fire and Police Commissioners, eight ex-officio members (in charge of the Department of Electricity); Park Commission, five members. The School Department is headed by a board of seven directors, nominated by the Mayor and elected by the people. The Library Board, of twelve Trustees, of which the Mayor is an ex-officio member, is self-perpetuating.

Of the twenty-three operating departments and offices of the government, therefore, (exclusive of those controlled by the Supervisors and the Superior Court) twelve are headed by independent elective officials and eleven are headed by boards or commissions. Of these eleven, the Library Board is wholly independent of the Mayor, the School Board is practically independent, and the remaining nine are subject to control only as this can be exercised by the power of appointment and removal. No procedure is established for reporting, scrutiny, supervision and control other than this power of appointment and the requirement that annual reports shall be submitted to the Mayor.

Contrast this form with the organization for executive control and administration in the field of private business or privately controlled community activities. In the private field a single board of directors or a committee controls policies and finance. Subordinate to and appointed by such board, there will be a single executive head, completely responsible to the board. At the head of each department there will be a department head responsible and subordinate to the executive head of the organization. Where departments are subdivided into divisions, the heads of divisions will be found responsible to and subordinate to the department

heads. This delegation of authority and stepping-down of responsibility will continue throughout the organization, so that there is a clear line of executive control and administrative action from the head of the organization to the smallest and least important unit.

Boards, commissions or committees for *executive or administrative work* are not found in private business or privately controlled community activities because they have not been found effective. For the securing of results, universal experience has come to the single head, for the simple reason that if two or more men are jointly responsible, responsibility cannot be definitely fixed, and if two or more are delegated with power, there is a resulting conflict and lost motion.

With the exception of the School Department, and perhaps the Civil Service Department, there is no reason why the operating departments of the city should not be administered by single heads. Numbers and representative thought are desirable where important questions of policy are to be decided; this could be provided by advisory bodies, specially chosen to assist and counsel with the executive head. For the operating departments of the city, the great bulk, and, in some cases, all of the work is administrative; a single head, directly responsible to the executive, would leave no question as to responsibility for results.

San Francisco, when it considers Charter revision, must give serious thought to the replacing of most of its boards and commissions by single executive heads. Such a change would add materially to the exercise of control and the fixing of responsibility for municipal affairs. It would also give to the chief executive a small group of trained subordinates who could be called together regularly or on occasion to assist by their advice in the maintenance of efficiency in municipal administration.

San Francisco Advanced by Charter Changes

At the November 7th election twelve of the twenty-two proposed Charter amendments were approved by the people and ten were defeated. Minor measures approved were—No. 35, requiring open meetings of boards and commissions; No. 36, authorizing additional detectives; No. 37, providing that judgment of Police and Fire Commissions in retirement cases shall be final; No. 38, authorizing piece-rate registration of voters; No. 39, permitting the use of voting machines when authorized by State law; No. 44, extending the period for leasing park concessions to five years.

Important measures approved by the people were as follows: No. 40, exempting future debt for foreign trade zones from the 15% debt limit; No. 41, authorizing highway construction outside of the county and the financing of such construction; No. 48, authorizing the sale of unneeded fire, school and other lands, and providing that the proceeds of sales of fire and school property shall be used respectively for fire or school con-

struction or land purchase; No. 51, creating a Bureau of Supplies, under a Purchaser of Supplies ,for all city purchasing (except for the Library), and requiring that detailed purchasing procedure shall be established by the Supervisors by ordinance; No. 52, authorizing the construction, acquisition or operation of a tuberculosis hospital outside of the county or the contracting with another city or county for the care of San Francisco's tubercular patients; and No. 53, authorizing the city to acquire and operate Market Street Railway lines situated outside of the county and providing that indebtedness incurred in the future Market Street Railway purchase shall be excluded from the 15% bonded debt limit.

Minor measures voted down by the people were—No. 33, bringing Coroner's "temporary appointees" under Civil Service; No. 34, bringing two exempt positions in Sheriff's office under Civil Service; No. 42, authorizing the publication of official advertising in the city's weekly; No. 45, authorizing the Park Commission to utilize or lease sub-park areas; No. 46, increasing Police Judges' salaries; No. 50, increasing salaries of various county officers.

Major measures defeated were as follows: No. 32, designed to bring elective and appointive administrative officials under Civil Service, provide for salary standardization, end indefinite "temporary appointments," prohibit political activity of Civil Service employees, and fix control of departments in department heads; No. 43, to remove indebtedness incurred in the future for Hetch Hetchy power development or distribution, or for water works from the 15% debt limit; No. 47, directing the refund to all taxpayers of the amount of any prior tax levy, if and when this had been declared illegal by the Supreme or Appellate Court; No. 49, directing the Board of Supervisors to create a Public Service Commission, by ordinance, to operate and maintain public utilities now owned or later acquired by the city.

No. 32, the Civil Service measure, is discussed elsewhere. No. 43, removing the debt limit, was, in the Bureau's opinion, not needed. It was based on the expectation that, with the passage of the $14,000,000 school and Relief Home bonds, the leeway under our debt limit would be reduced to $2,000,000. The Bureau's analysis indicated a leeway under the existing debt limit of over $25,000,000, or, including unsold bonds, of over $30,000,000.

No. 47, directing the refund of illegal tax levies, is probably well lost. At best, and theoretically, it would have provided a refund for taxpayers to come from their own pockets. Practically, it would have started a chain of administrative difficulties and would probably have necessitated the creation of another city bureau. In seeking to relieve, a situation stated to be discriminatory, it might easily have created greater dicrimination, collected large sums, which could not be refunded, and established a precedent under which the Charter tax rate limit, vague as it is, would

have little weight in the future. In addition, the Bureau is advised that it would be illegal and could not be made operative. To safeguard the future rights of small taxpayers, city officials should memorialize the Legislature and work to remove the amendments to the State law which prohibited the assignment of tax claims, which change, it is stated, was written into the law at the instance of San Francisco officials.

No. 49, directing the Supervisors to create a Public Service Commission for the operation and maintenance of public utilities, was a worthy and needed amendment. Its failure to carry was probably due to a lack of concerted and organized support. It lost by 7,800 votes. The total vote polled for and against this measure—95,700—was one of the smallest votes polled by any of the twenty-two Charter amendments, 4,300 less than the average vote polled, and 21,000 less than the heaviest vote.

School Building Assured

At the special election of November 21st, both the $12,000,000 school bond issue and the $2,000,000 Relief Home bonds were approved by the people by overwhelming majorities—a favorable vote of approximately 87% for the school bonds and slightly more for the Relief Home bonds. By such approval, our undeniably bad school situation can now be relieved. As soon as the Board of Education can formulate its program, the acquisition of land and the preparation of plans for buildings started; it has been estimated that the actual building program will extend over five to seven years. With the $12,000,000 fund for the replacement of old buildings and the extension of grounds, and with the Board of Supervisors informally committed to future annual appropriations of $1,000,000 for new buildings required for expansion, and $250,000 for maintenance, the school building situation is in process of being solved.

During the period that the Board of Supervisors had the question of bond issue policy before it, the Bureau urged a full pay-as-you-go policy, instead of a bond issue, or—in lieu of the full pay-as-you-go policy—a smaller bond issue and a larger pay-as-you-go program. The need for schools was recognized and urged, and the Bureau's proposal contemplated providing the same $19,500,000 over a six-year period, as is intended by the $12,000,000 bond issue plan, and successive annual appropriations of $1,250,000 each. The Bureau was and is of the opinion that its proposal was legal, practical and economical; it urged that our undoubted sentiment for better school facilities should not bind us to the consideration of economy.

The vote of the people is an overwhelming mandate for better schools; the cost was a minor note in the campaign, but the need was stressed and recognized. The vote bears out what the Bureau believed and urged, and what had been proven by the 1921 tax rate—that the principal concern of the people is to get schools, and that the temporary increased taxation under the pay-as-you-go plan, which would much more than offset future tax burdens for bond interest and redemption, would have been cheerfully assumed. With the approval of the bond issue, and the Supervisors committed to a pay-as-you-go policy for annual expansion, it is to be hoped that our school troubles, which have been due to insufficient financing, are permanently behind us.

The City

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VOL. II DECEMBER . 1922 NO. 16

Hetch Hetchy Bond Controversy

Important Municipal Events

Municipal Compensation Provisions
Charter Article No. 10

Comparative Tax Rates and the Local Tax Dollar

How the "Tax Dollar" is Spent

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Hetch Hetchy Bond Controversy

Considerable publicity has been given from time to time during the past year to Supervisorial controversies relative to the city's sale of $21,826,000 of Hetch Hetchy bonds in August and November, 1921. An outline of the sequence of events will probably be of interest.

It will be recalled that during and following the war, difficulty was experienced in financing the Hetch Hetchy project. Hetch Hetchy bonds carried only 4½% interest, and, under the Charter, could not be sold for less than par. With the cost of money in excess of 4½%, Hetch Hetchy bonds were unsalable. This unfavorable situation had to be circumvented if the work was to proceed. On the Hetch Hetchy dam contract, in August, 1919, the contractor, the Utah Construction Company, arranged for the purchase of sufficient bonds at par to finance the contract and included the discount in the unit prices bid. Later, tunnel boring by city forces was approaching a shut-down, due to inability to sell bonds to finance the work. Recourse was had to a cost plus contract, under which the contractor, the Construction Company of North America, took bonds at par and included the discount in the unit prices bid.

At the general election in November, 1920, the people approved a charter amendment permitting the sale of school and water bonds below par, the sale price, however, not to be less than that which would net the purchaser not to exceed 5½%. Bonds were subsequently advertised for sale; no bids were secured, and the bonds were then placed on sale in the City Treasurer's office, "over the counter". On March 14, 1921, the Supervisors by resolution withdrew all such bonds from sale except water bonds contracted for by the Construction Company of North America.

In May, 1921 the City Engineer advised the Finance Committee of the Board of Supervisors that approximately $4,000,000 of bonds should be sold to carry on the Hetch Hetchy work for the next fiscal year—to June 30, 1922—$2,750,000 of which the Construction Company of North America was obligated to purchase under its contract, and $1,250,000 for Moccasin Creek power development and other engineering and current expenses. On July 11th, the Supervisors by ordinance withdrew all unsold Hetch Hetchy bonds from sale at the City Treasury, and directed the Clerk to advertise for bids for formal sale. At this period, as is clearly discernible now, the bond market had ceased its long downward trend, and after a short practically level period, started on its upward trend.

The formal invitation for bids called for sealed proposals to be received up to 3 p. m. on August 1, 1921, for 21,826 $1,000 bonds—$21,826,000. On this date only one bid was received—this from the Construction Company of North America for the purchase of $13,306,000 bonds, at prices of from $867.60 to $835.80, stated to yield 5½%. The proposal was conditional on the granting of an option to November 1, 1921, on an additional $8,520,000 of bonds, and the bid was also conditional on acceptance prior to 5 p. m., August 2nd. The bid was referred to the Finance Committee, and subsequently, at the same meeting, the Finance Committee presented a resolution, which was adopted, accepting the bid.

The actual sale price for the $13,306,000 bonds was $11,290,926, a discount of slightly over $2,000,000. By the sale the city secured approximately $11,300,000 cash in the Hetch Hetchy fund, as compared with the $4,000,000 the City Engineer estimated would be required for the fiscal year ending the following June.

On October 24, 1921, by resolution the option on the purchase of the additional $8,520,000 of bonds was extended to Feb. 15, 1922. On Nov. 15th the renewed option was exercised. The $8,520,000 of bonds were purchased for $7,646,536, a discount of $873,464. The later sale to the public was on 4.75% to 5% basis, which would indicate a 4.85% to 5.10% syndicate price. By this sale the city secured a Hetch Hetchy cash fund of over $18,900,000, as compared with the $4,000,000 estimated by the City Engineer as required to the end of the then current fiscal year, and from $6,000,000 to $7,000,000 more than the City Engineer's estimated requirements to June 30, 1923, the end of the present fiscal year.

Idle bond fund balances have been reinvested by the Treasurer's office as directed by the Finance Committee. For a time the city was showing a profit on such reinvestment, by securing a higher interest rate on Treasury notes and other securities, than the 4½% payable on outstanding Hetch Hetchy bonds. Detailed information on reinvestment transaction has not as yet been issued, but it is understood that the average reinvest-

ment interest rate since last spring is less than the 4½% rate payable on the Hetch Hetchy bonds.

Considering the transactions from the standpoint of cost to the city, the loss due to investment of funds at a lower rate than the 4½% that the city must pay is probably of minor importance. The important loss is the discount that the city had to take by selling the bonds when the money market ranged from 5.5% to 5%. It has been stated that the principal consideration at the time was to insure the continuity of the Hetch Hetchy work, that the option controlling the second sale was a condition of the first sale, and that the condition of the bond market at the time of the first sale was such as to indicate the wisdom of accumulating this large cash balance.

Exercising "hindsight" on the transaction, it is apparent that $21,800,000 of bonds were sold months and years in advance of the need for the proceeds, and that if a smaller block of bonds had been sold at the time, the greater portion of the bonds could have been held unsold or sold for much higher prices or at par, thus conserving the major part of the $2,899,000 discount.

Important Municipal Events

Tuberculosis Sanatorium. City Attorney is to institute a friendly suit to secure judicial determination of the right of San Francisco to expend public funds for a tuberculosis sanatorium in Alameda County. Charter Amendment No. 52, approved by the people at the November election, was designed to grant this power. Alameda County officials contend that a constitutional question, prohibiting counties from loaning their credit, may be involved.

Municipal Railway Extensions. Decision by joint Public Utilities and Finance Committees, on December 13th, to defer action on the $2,000,000 bond issue, proposed by the Public Utilities Committee, until Market Street Railway purchase procedure is decided upon. Hearing on Duboce Avenue tunnel protest continuing before Supervisors. Board of Public Works authorized to advertise for bids for municipal bus line service along the Embarcadero, and for car line from Cole and Carl Streets, west to Ocean beach.

Hetch Hetchy Transmission Line. City Engineer authorized by the Supervisors to begin the purchase of right of way for an electric transmission line from the Moccasin Creek power plant to a point near Niles, Alameda County.

School Buildings. At conference on November 24th, between the Mayor, Board of Education, Board of Public Works, and Chairman of Finance Committee, an immediate school building program was decided upon—enlargement of the High School of Commerce, rebuilding the Mission High School, and construction of Oriental School annex, Portola School

and another school in North Beach. Mission High School construction will be financed out of new-bond funds; financing of others will come from current available funds.

TIERNEY CASE. The case of the Asst. Supt. of Buildings, in which the Board of Public Works, by a contract, sought to retain the employee despite the compulsory retirement provision of the Charter, has been settled by the employee's withdrawal from the service and acceptance of his retirement allowance. Warrants to pay the July, August and September salary were approved by the Supervisors, with the understanding that the Auditor would hold up payment until mandamused. Employee decided not to sue. Auditor's personal attorney and the City Attorney advised Auditor that August and September warrants were illegal, but that July warrant was legal under the terms of the Retirement Ordinance. With the approval of this warrant by the Auditor, it is understood that this final attempt to overcome provisions of the Retirement Law is closed.

CIVIC CENTER EXTENSION. The Mayor, at a meeting of representatives of civic organizations, relative to Market Street Railway purchase, announced that proposal would soon be formulated for a $1,500,000 bond issue to complete the purchase of certain civic center lands and to permit of the opening of Fulton Street to Market. Acquisition of property is stated as urgently required before development of upper Market Street brings extensive improvements to the particular land required by the city.

MARKET STREET RAILWAY PURCHASE. At a meeting of representatives of civic organizations and the press, called by the Mayor to consider the Market Street Railway purchase, a resolution proposed by Gavin McNab was unanimously adopted, to the general effect that it be the sense of the meeting that the special purchase committee proceed with all possible dispatch and that it attempt to secure agreement on a price fair to the city and the Company, which, with all debt charges, could be paid out of earnings without any burden on taxpayers.

Municipal Compensation Provisions

CHARTER ARTICLE NO. 10.

The salary-fixing provisions of the Charter are among the many unsatisfactory provisions of this document (drawn in 1898) in its application to present-day conditions. The Charter framers made a definite attempt to prevent expansion of the municipal pay-roll by specifically enumerating the number of employees and their compensation in many offices, and by requiring that additional employees could be provided only after investigation and favorable recommendation by the Mayor, and with the affirmative vote of fourteen Supervisors. The following offices are so restricted: Mayor, Auditor, Treasurer, Assessor, Tax Collector, Coroner, Recorder, City Attorney, District Attorney, County Clerk, Sheriff and Justices'

courts. In the Police and Fire Departments, and for the Recorder's copyists and for additional temporary employees in the offices of the Auditor, Assessor, Tax Collector and Election Commission, salaries but not numbers are specified.

With the rise in living costs during and following the war, the Supervisors increased all Charter salaries except for elective and appointive officers. (Fire and police Charter salaries were increased by vote of the people.) In some cases the titles were changed to increase the probability of legality; in others, the old title remained unchanged. The increased compensations were enacted by including the employees in the "additional positions" ordinance. It has frequently been admitted, in official discussions, that these increases would probably be held to be illegal if taken into court, for the reason that the Supervisors cannot amend the Charter by ordinance.

Authority for fixing compensations of laborers, Supervisors' force and Department of Electricity employees, is vested in the Board of Supervisors. Employees of the Adult and Juvenile Probation Boards, Auditorium, Telephone Exchange, Civil Service Commission, and City Planning Commission, are not referred to in the Charter, and thus come under the Supervisors as "additional positions". Independent power to fix compensations for their forces is vested in the Board of Public Works, the Board of Education, the Board of Library Trustees, the Board of Health, the Park Commission, and the Playground Commission. Compensations of employees of the Sealer and Superior Courts (except clerks, bailiffs and stenographers) are considered as regulated by State law.

The Civil Service Commission is authorized "to grade, and from time to time regrade, positions in accordance with salaries and duties, to the end that like salaries shall be paid for like duties". This is not operative —first, because it requires grading in accordance with salaries, which is the inverse to the proper method of approach, and second, as it confers no power to change Charter salaries nor to interfere with authority granted by the Charter to individual boards and commissions to fix the salaries of their forces.

We have, therefore, as part of our fundamental law, certain salaries fixed by Charter, others fixed by State law, others regulated by the Board of Supervisors, and six independent boards and commissions vested with independent salary-fixing powers. It has frequently been pointed out in Supervisorial discussions that salaries paid by some departments are out of line with what is commonly considered as the general city scale.

Not the least of the unfortunate results of this lack of co-ordination and centralized control is the necessity it creates for individuals and groups to bring influence to bear to solve their individual problems. In the absence of any centralized authority, salary revision has been considered only as

it affects individuals. A single increase in a class usually furnishes the basis for other requests for increases.

Charter revision must recognize this condition and seek to correct it. It is the direct cause of the interjection of politics, influence and discord in municipal administration that has no proper place there. As long as it persists it will tend to interfere with disinterested administration of municipal affairs. The solution of this undesirable condition was one of the purposes of Charter Amendment No. 32, which was decisively defeated at the November election. Charter revision should require that employments be classified by a competent agency in accordance with duties, that compensation be fixed on the basis of duties, and that a single centralized authority be empowered to make such a classification and standardization scheme effective.

Comparative Tax Rates and the Local Tax Dollar

The Detroit Bureau of Governmental Research has recently tabulated the 1922 tax rates of the largest cities, showing for each the actual tax rate, based on assessed valuations, and an "adjusted tax rate," based on actual property values. This latter can only be estimated, as the actual assessment basis in many cities is not accurately known. The result is an estimate of the burden on each $100 of assessable property in each of the cities shown. The data are available for seventeen of the twenty-one cities of over 300,000 population, and these are shown below; San Francisco is shown as having the lowest adjusted rate, $1.735 per $100 of true value.

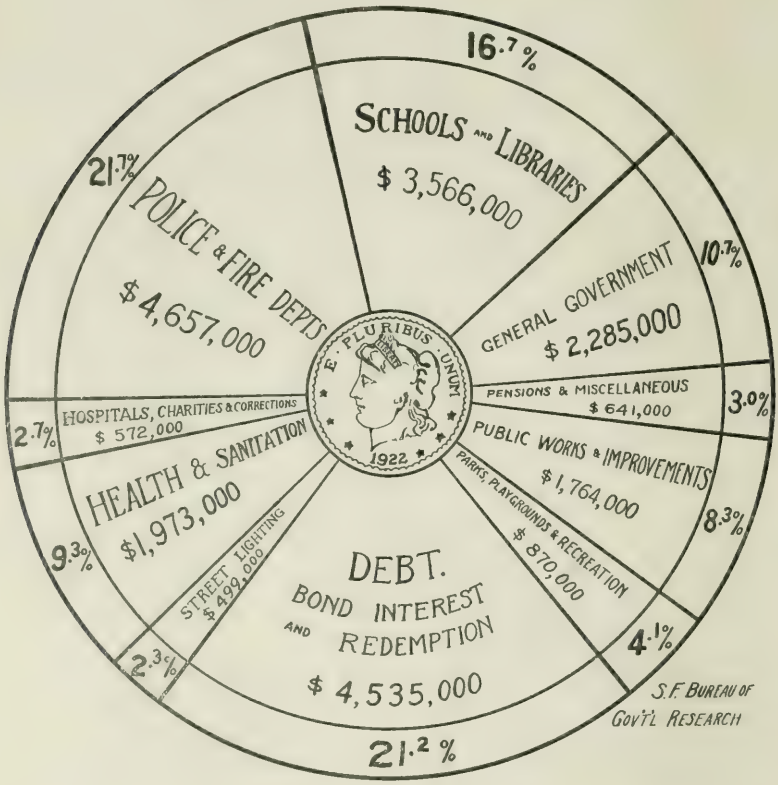
Despite the wide-spread popular reference to comparative tax rates, it should be emphasized that cities cannot be equitably compared on this basis. As the Detroit Bureau remarks, "The tax rate, alone, means nothing". A more accurate basis of comparison is "per capita costs," but even these may be misleading. A low per capita cost may mean either economical service or the slighting of necessary services; conversely, high per capita costs may mean either extravagance or that the government is progressive in providing services necessary to its development and the well-being of its people.

	TAX RATE PER $100 ASSESSED VALUATION							
	City	School	Debt	County	State	Total	Est. Ratio Asses'd to True Value	Adj. Tax Rate
New York City	$1.134	$0.590	$0.814	$0.076	$0.126	$2.740	97%	$2.658
Chicago	3.680	2.810	.....	.710	.450	7.650	75	2.869
Philadelphia	1.750	.950	.....	.....	.....	2.700	90	2.430
Detroit	1.459	.746	.....	.267	.362	2.834	80	2.267
Cleveland	.652	.599	.625	.217	.367	2.460	90	2.214
St. Louis	1.270	.880	.220	.....	.130	2.500	92	2.300
Boston	2.037	.804	.....	.149	.284	3.274	100	3.274
Baltimore	1.013	.442	.432	.....	.307	2.194	90	1.975
Pittsburgh	1.649	1.150	.....	.525	.....	3.324	85	2.825
San Francisco	1.540	.780	.710	.440	.....	3.470	50	1.735
Buffalo	2.774	.....	.....	.543	.....	3.317	80	2.654
Milwaukee	1.066	.811	.385	.477	.179	2.918	85	2.480
Newark	1.833	.970	.....	.571	.406	3.780	100	3.780
New Orleans	1.050	.700	1.000	.....	.825	3.575	85	3.039
Minneapolis	2.304	1.970	1.095	.677	.418	6.464	100	2.456
Kansas City, Mo.	1.000	.750	.450	.430	.100	2.730	74	2.020
Seattle	2.249	1.337	.451	1.000	1.300	6.337	92	2.915

The distribution of the San Francisco "tax dollar" for the current fiscal year 1922-23 is shown by the accompanying chart. This applies to the $21,350,000 of our $24,900,000 budget that is funded by taxes raised by the $3.47 rate. The balance of the budget, being funded by revenues and refunds, although apportioned to the functions herein shown, is not included in this distribution.

Fire and Police (exclusive of jails), it will be noted, require 21.7c of the tax dollar. Debt charges take 21.2c, and Schools and Libraries take 16.7c. The next largest portion of the tax dollar is 10.7c for General Government; this pays for the general administrative, legislative and judicial departments. Health, exclusive of hospitals, and Sanitation, including street cleaning, take 9.3c. For Public Works and Improvements, 8.3c of the tax dollar is spent, and for Parks and Playgrounds, 4.1c. Pensions and Miscellaneous take 3c, Street Lighting takes 2.3c, and Hospitals, Charities and Corrections take 2.7c.

How the "Tax Dollar" is Spent



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The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

VOL. III JANUARY . 1923 NO. 1

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"An incorporated non-partisan citizens' agency to study public business, cooperate with officials and specifically work for economy and efficiency in municipal affairs."

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Market Street Railway Purchase

The movement to improve San Francisco's railway transportation dates back to 1912, when the City employed Bion J. Arnold, noted transportation expert, to study the local situation and future needs. He reported, on the basis of estimated population growth and commercial development, that an additional 72 miles of single track should be built in the five year period 1913-1917 and an additional 50 miles in the next five year period 1918-1922. He pointed out the impossibility of extensions by the private company, because of prohibitive Charter franchise restrictions, and proposed a Charter amendment to establish a "resettlement" franchise basis, under which the company would be enabled to finance and operate needed extensions, and under which the City's policy of ultimate acquisition was recognized and safeguarded. This, however, was voted down by the people.

Instead of 122 miles of construction recommended by Arnold, we have built 40 miles serving new territory—28½ miles of municipal system, 10 miles of municipal bus line routes and 2 miles of Market Street Railway tracks. Except for Municipal Railway construction the development of street car transportation has practically stood still for fourteen years; on the other hand, the City Engineer points out that the population and commercial growth on which the Arnold construction plan was based have exceeded the 1912 Arnold estimate.

The private company, due to Charter franchise restrictions, has been unable to finance the cost of extensions. Although its present franchises, with one small exception, are State franchises, any franchises granted for extensions, subsequent to 1900, when the Charter took effect, would have been City franchises, subject to Charter restrictions. These are practically prohibitive. Franchises are limited to 25 years, can not be renewed or re-

granted and, upon expiration, the stationary property in and on the streets would revert to the City. The result has been that only one line has been built by the company under a Charter franchise and this line was subsidized by the property owners.

The solution of the street railway problem in San Francisco can take one of three courses, probably only one which is practicable. The Company, by Charter amendment, could be granted resettlement franchises, which would permit it to extend and which could provide for universal transfers. This solution would not be ideal, as it would still leave two systems with inevitable duplication, and probable discrimination by the government in favor of the municipal system. Second, resettlement franchises could be granted to the private company and the municipal system sold to the company, to provide a single privately-owned system subject to public regulation. This proposal could probably never be consummated. The third, and probably the only practicable solution, is purchase by the City of the privately-owned system.

The matter of purchase by the City has been actively before the people since 1917, at which time the so-called McNab plan, providing for the purchase out of earnings, was formulated. In March, 1918, the City Engineer reported a purchase-basis agreement with company officials, as follows: Sale price to be an agreed price for physical valuation, plus probable net earnings for the remainder of the life of the various franchises; physical value to be "cost to reproduce new," based on inventory and unit prices representing average normal conditions for the five year period 1913 to 1917; payments to be made semi-annually from operating receipts, with 4½% interest on deferred payments on physical valuation, no interest on payment for net earning value. An appropriation of $15,000 was made from Municipal Railway funds to make a valuation of the Company's property; but the City was restrained by injunction from spending Municipal Railway funds for this purpose.

At the 1918 election a Charter amendment to authorize the purchase of public utilities out of their earnings was voted down. In 1920, a similar amendment was carried. In the next budget, $12,000 was appropriated for a valuation survey. A detailed inventory, which had been made by the State Railroad Commission, as of June 1920, was used by the City Engineer, the unit prices, however, being revised on the basis of average prices during the period 1913 to 1917.

On this basis the City Engineer established a "reproduction-cost-new" as $35,300,000. Depreciation was calculated as $8,600,000, giving a physical-property valuation of $26,700,000. The valuation established by the Railroad Commission, based on the same inventory, but on average prices for the period of 1918 to 1920, was approximately $41,425,000. The Company holds the physical value to be $51,856,000. The City Engineer's report

states that reproduction-cost-new at the time of his report (September 10, 1921) would not be less than $35,000,000.

The report mentions that various estimates have been made of the profits from ownership to the end of franchise life (franchises expire from 1929 to 1945) and that these estimates range from $35,000,000 to $50,000,000. The report concludes: "Taking into consideration all of the elements which enter into the problem, I have determined that the fair price, which the City should pay for all of the properties of the company and including both the physical property and the future earnings, is the sum of $40,000,000."

A special committee was then appointed by the Mayor, to negotiate with Market Street Railway officials. Members of the committee could not agree on a price, individual estimates ranging from $15,000,000 to $35,000,000; the committee was discharged and a new committee was appointed. At the last election a Charter amendment was approved authorizing the acquisition of lines outside of the County, and removing from the debt limit, any bonds subsequently authorized by the people for the purchase.

The purchase plan will probably follow one of two plans proposed in February, 1922, by the City Attorney and the attorneys for the Company: (1) That the City vote $14,000,000 of bonds to pay off Company bonds which become due in 1924, the balance of any purchase price to be paid in annual installments out of earnings; (2) that the City vote bonds for the full amount of the purchase price, such bonds to be a lien upon the properties acquired, and to be turned over to the Company in payment for the system. It is stated that the second plan would require only a majority vote, whereas bonds, issued under the first plan, pledging the City's credit, would require a two-thirds vote.

In the opinion of the Bureau, the purchase by the City offers the only obtainable practical means of solving San Francisco's street car transportation problem. It is mistakenly held by some that the City should wait until 1929, when the "key" franchises expire, and simply take over the property. The error in this line of reasoning is that with the expiration of these franchises, (which were granted by the State and are not subject to Charter conditions), only the Company's right to operate in city streets will cease. The City would be confronted then, just as now, with the necessity of paying, on a fair valuation basis, for any of the property it takes over. The only alternative to paying for such property would be to order the Company to remove its property from the streets. A potent objection to waiting until 1929, on the theory that the Company's then unfavorable position would secure a lower price, is the loss San Francisco would suffer by postponing a solution of the problem, long since acute, for seven years, and the inevitable deterioration of the property.

With a single transportation system owned by the City, the Charter franchise restrictions, which have prevented the building and operation of

extensions by the privately owned company, would automatically cease. Uneconomic duplications and paralleling of service could be corrected, and thus operating and maintenance costs could be reduced. Universal transfers, producing a tremendous saving to the users of both systems, could be provided for. Needed extensions could be planned in the most economical manner, instead of, as at present, trying to stretch Municipal Railway trackage into territory that lies much closer to existing lines of the privately owned company. Jitney bus competition, which now has an important effect on the revenues of the private company would probably be wiped out, or if necessary to be maintained, could be operated by the City as a feeder or supplemental service to the street railway system. The solution of downtown congestion would be materially expedited.

To those opposed to municipal ownership, the point should be emphasized that the acquisition by the City of the privately owned system is not so much a matter of public vs. private ownership, but the paramount point is rather one of adopting the only feasible method of securing transportation. The restrictions and disadvantages of operation and growth surrounding the private company, which have been set up by the people and probably will not be removed by the people so long as the transportation system remains in private hands, is the factor in fixing public ownership as the sole practical solution.

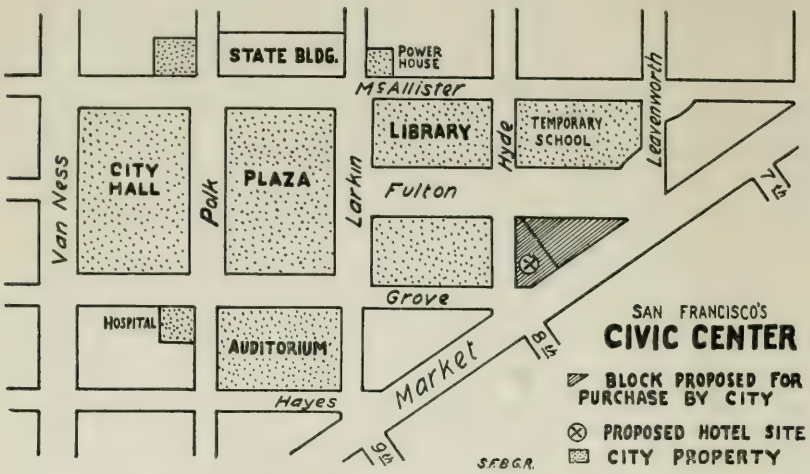
The Civic Center Extension

Due to the opposition by many organizations to the Mayor's proposal that the City acquire by condemnation the Market-Fulton-Hyde block for Civic Center purposes, it seems probable, at this writing, that an acceptable compromise has been effected. The opposition centers principally around the detriment to business development of upper Market Street that would result from the purchase. If the esthetic value of the property for Civic Center purposes is small, the matter of cost then becomes the major issue.

The pertinent factor of finances involved in the proposed purchase by the City and its effect on San Francisco's governmental costs, has not, however, received the consideration it merits. On the basis of assessed valuations, if these are 50% of true valuations, it would cost the City at least $1,000,000, and probably more, to acquire the block. A bond issue was held to be necessary to provide funds for acquisition; assuming 20-year 4½% bonds, the cost of acquisition to taxpayers would be at least $1,500,000. There would be a further tax burden due to removing taxable property from the assessment roll. This, considering also the $2,400,000 projected hotel investment, would result in a loss to the City of approximately $60,000 per year.

By the time a 20-year bond issue would be retired, the total cost to the City, including tax losses, would amount to at least $2,700,000. This would be materially increased by the loss of potential taxes from improve-

ments which are practically certain to result if the land remains in private hands, and would be further increased by at least $2,000,000 additional if the Market-Grove-Larkin block to the southwest is also to be taken for Civic Center development.



Civic organizations seem to be united in their desire to cooperate with city officials in any steps necessary to improve the Civic Center by opening up Fulton and Leavenworth Streets to Market Street, and to acquire the two blocks facing the City Hall on the west and bounded by Van Ness, Grove, Franklin and McAllister Streets. In the opinion of the Bureau, however, the proposed Market-Hyde-Fulton extension is one that would have little value as a public improvement, and, as stated by experts, would have a detrimental effect on the business development of upper Market Street; and that would, in addition, entail tax burdens, which in the next twenty years (by the time a bond issue would be retired), would probably amount to at least $2,700,000, and might, by extension, be double this figure.

San Francisco's Bonded Indebtedness

San Francisco's outstanding bonded debt, as reported by the Auditor, for June 30, 1922, totals $73,261,900. This is decreased by redemptions already made or appropriated for, amounting to $4,767,100. Bonds authorized, but not yet sold, as of June 30th last, principally Hetch Hetchy bonds, total $5,505,000. In addition, the people voted last November to authorize $12,000,000 of School bonds and $2,000,000 of Relief Home bonds. The net bonded debt, including all bonds outstanding or authorized, and less bonds redeemed or for which redemption is provided, amounts to $87,999,800.

Contrary to the general belief, not all of this debt is effected by the Charter debt limit of 15% of the assessed valuation. Exposition bonds are specifically excluded from such limit by the Charter. Bonds for elemen-

tary schools, up to 5% of a city's assessed valuation, and bonds for high schools, up to an additional 5%, are authorized by Sections 1884 and 1746 of the Political Code. The courts have held, and the Attorney General has ruled, that municipalities cannot restrict this State law authorization by any local Charter restrictions or governmental act.

The 15% limit for bonded debt, based on 1922 assessed valuation of $615,330,576, is $92,299,586. Of the total bonds outstanding, or authorized but not yet sold, $21,894,000 are excluded from the 15% limit and the balance, $66,105,800, is applicable to such limit. This gives a leeway, under the Charter debt limitation, of $26,193,786, including bonds authorized to date and also taking account of redemptions up to and including July 1, 1923. The various issues, less the amounts for redemption, appropriated for in the 1922-23 Budget, are as follows:

Issued Under the Charter 15% Debt Limit

Year	Issue	Outstanding		Life	*Retired	Annual Redempt.
1904	Park	$ 172,200		40	1944	$ 8,200
1904	Library	140,000	unsold			
		723,100		40	1944	41,100
1904	Mission Park	153,300		40	1944	7,300
1904	Playground	388,600		40	1944	18,500
1904	Street	202,500		24	1928	40,500
1908	Fire	4,160,000		40	1955	130,000
1908	Garbage	64,000	unsold			
		294,000		20	1930	42,000
1908	Hall of Justice	400,000		20	1931	50,000
1908	Hospital	900,000		20	1932	100,000
1908	Sewer	3,100,000		40	1954	100,000
1910	Geary St. Ry.	1,045,000		20	1934	95,000
1910	Market St. Ry.	20,000	unsold			
		42,000		20	1934	6,000
1910	Hetch Hetchy	5,281,000	unsold			
		35,719,000		45	1964	1,000,000
1912	City Hall	7,400,000		44	1960	200,000
1913	Hospital	900,000		17	1932	100,000
1913	Municipal Ry.	3,001,100		35	1952	100,000
1923	Relief Home	2,000,000	unsold	40	1968	(Starts 1928)
		66,105,800				

In Addition to the Charter 15% Debt Limit

1908	School	$ 3,000,000		25	1938	$200,000
1910	Polytechnic	355,000		24	1937	25,000
1918	School	3,325,000		20	1942	175,000
1912	Exposition	3,214,000		25	1939	200,000
1923	School	12,000,000	unsold	40	1968	(Starts 1928)
		21,894,000				

*The "life," as shown above, represents the period of redemption; the actual interest-bearing life is from two to ten years longer than shown, except for 1904 issues.

San Francisco, although having a heavier debt than the average large city, is fortunate with regard to the purposes for which the debt was incurred. Many cities are now suffering from the debt burden of long-term bonds voted in the past for current expenses or for short-lived improve-

ments, which should have been financed out of current revenues. A scrutiny of the various issues indicates that the majority were for projects that could not have been financed out of current revenues. It is to be regretted, however, that all, or at least the major part, of the $15,500,000 school bond issues of 1918 and 1922, were not financed from current revenues.

In comparison with eighteen other cities in the United States of over 300,000 population, San Francisco has the third highest per capita debt, according to figures as of January 1, 1922, compiled by the Detroit Bureau of Governmental Research. San Francisco's net debt at that time is shown as $71,103,200, or $139.85 per capita. Cincinnati shows the highest, $195.30 per capita, and New York next highest, $189.38 per capita. With the exception of Washington, D. C., which has only a nominal debt, the lowest is St. Louis, $20.14 per capita, and next lowest, Philadelphia, $36.61 per capita. The total net debt for the eighteen cities is almost $1,998,000,000, and the average per capita debt is $108.77. Excluding New York City, whose net debt is over 53% of the total for the eighteen cities, and excluding also Washington, whose debt is practically nil, the average per capita debt of the remaining sixteen cities is $75.82, as compared with $139.85 for San Francisco.

Important Municipal Events

Eastside Highway. Following the failure of San Mateo and San Francisco Counties to agree on the plan and expenditure program for the Eastside Highway and Bridge, as proposed by the former Joint Highway District Commission, a new commission has been organized for the purpose of promoting the construction of the highway only.

Hetch Hetchy Bonds. On January 2nd, a resolution was introduced before the Supervisors and referred to the Finance Committee, to rescind that part of the City's contract with the Construction Company of North America that involves the purchase of over $5,000,000 of Hetch Hetchy bonds.

Salary Increases. Proposals to increase salaries of a number of Juvenile and Adult Probation Department employees have been before the Supervisors for some time. On January 15th, the Finance Committee proposed increases for twenty-two of these employees from $1800 to $1920. This was generally opposed on the ground that an increase of $300 per year should be allowed, instead of the $120 per year as recommended. The Finance Committee withdrew its report, to be amended and re-submitted.

B. P. W. Bunker System. The providing of a bunker at the 11th and Bryant Street Corporation Yard, to facilitate hauling and disposal of waste materials, which was agreed upon as a part of the 1921-22 budget, has been advanced by the appropriation of $20,000 for the purchase of land at 12th and Harrison Streets as an addition to the Corporation Yard.

The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. III February, 1923 No. 2

The Financing of Municipal Railway Extensions

Recent Developments in Improving Government

Discussion of the San Francisco Charter

Important Municipal Events

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The Financing of Municipal Railway Extensions

In an analysis of Municipal Railway finances in the January, 1922, issue of THE CITY, the statement was made, "The figures reflect a healthy condition *to date*. The deficit of $266,000 is overcome six-fold by additions and betterments, advances to the City's General Fund, and surpluses, totaling $1,575,000. The critical period in Municipal Railway affairs is to come, with the Supervisors contemplating, and committed in part to, a $1,600,000 expenditure program out of the Depreciation Fund, which will leave nothing for depreciation purposes."

Following a report by the Bureau to the Board of Supervisors, under date of March 11th last, and a discussion of the finances involved by the joint Finance and Public Utilities Committees on April 5th, decision was reached by the joint Committees to proceed with the Taraval Street (which was then under contract) and Masonic Avenue extensions, and to postpone further consideration of the Sunset and Ocean View extensions for sixty days. No report on the subject was made to the Board of Supervisors. On July 24th, the matter of securing use of Market Street Railway trackage, essential for the Masonic Avenue extension, was postponed until November 13th, due, it was stated, to its certain defeat if brought to a vote.

On September 18th, last, the Utilities Committee reported agreement with the City Engineer, to the effect that if the proposed railway extensions were to be built, a $2,000,000 bond issue must be provided to finance these. The initial ordinance to bring such a bond issue before the people was presented, but was withdrawn to avoid any possible interference with the then pending school bond issue. On December 13th, according to the press, the Utilities and Finance Committees agreed to defer further steps

on the proposed bond issue until the Market Street Railway purchase matter is decided.

Since that time the Supervisors have ordered that the Embarcadero bus line, a portion of the Sunset extension, and the Ocean View extension be proceeded with. These, with necessary equipment and a connection to make the Sunset extension operative, and with other necessary work, will require an expenditure of at least $2,115,000.

The available unemcumbered balance in the Depreciation Fund, as of December 31st last, was $1,105,363, which balance is only slightly in excess of the $1,000,000 considered by the City Engineer as the *minimum* necessary reserve for depreciation purposes. The capital expenditures involved in the extensions the Supervisors have embarked upon, including equipment, total $1,165,000. An additional $200,000 is required immediately, according to the City Engineer, for an addition to the Potrero barn, and for the City's share of track repairs on lower Market Street. Further, the City Engineer states that an additional $750,000 must be provided for a shop and barn, including land for same, if the Sunset and Ocean View extensions are built and operated.

As stated above, the total unencumbered balance in the Depreciation Fund to cover these proposed expenditures, which total $2,115,000, is $1,105,000. Although the *gross* set aside in the Depreciation Fund is averaging $45,000 per month, or $540,000 per year, the future *net* accumulation to the fund will probably not exceed $290,000 per year. Taking account of the $1,000,000 *minimum* Depreciation Reserve recommended by the City Engineer, the program embarked upon by the Board, is approximately $2,009,000 in excess of the present available Depreciation Fund balance.

The Bureau, in a communication to the Board of Supervisors on February 9th, reviewed the finances involved in the proposed extension program. The Bureau's communication stated "The purpose of this communication is not to interfere with any needed extension, but to urge upon your honorable Board further consideration of sound financing before work is launched." The communication was referred, without reading, to the Public Utilities Committee.

In the opinion of the Bureau the Depreciation Reserve is being erroneously considered, first, as a gross amount set aside instead of the net amount actually available, and second, as a surplus fund available for expenditures for any desirable project. The Depreciation Fund is not a surplus fund, and was purposely set apart from surplus funds to avoid this very confusion. The surpluses from operations, which have totaled over $2,900,000 for the period 1913-1922, inclusive, have practically all been expended, approximately $1,560,000 of such expenditures being for additions and betterments, and advances to the City's General Fund on account of Twin Peaks and Stockton Street tunnel costs.

A proper charge to cover depreciation is in exactly the same category as any operating charge. Expenditures required for depreciation, however,

are cumulative and deferred; the replacement and renewals to offset depreciation and obsolescence are not required until original units of plant or equipment reach the end of their economical service. When such time comes the burden of replacement or renewal is usually too great to be borne out of the then current operating revenues of the property; if the funds have not been set aside as the depreciation has accrued, it may be difficult and costly, or even impossible, to provide such funds.

The Railroad Commission has pointed out, as have other public service regulatory bodies, that a very important factor in the recent, and still unsettled, difficulties of many privately owned street railway companies has been due to the failure to properly provide for depreciation out of operating revenues as depreciation accrues. The Municipal Railway, being a comparatively new property, has not as yet been confronted with important depreciation expenditures. A failure to conserve a proper Depreciation Reserve, built up in profitable years, promises financial difficulties for the future, or in the event of an emergency.

Recent Developments in Improving Government

Students of political history have marked the tremendous spread of interest in government in the past ten or twelve years. It has often been stated that the improvements secured in this short period, and the application of fundamental principles underlying such improvements, exceed those involved in the entire evolution of government in America since Colonial days. As expressed by Dr. A. R. Hatton of Western Reserve University, the charter consultant of the National Municipal League, "It has been based on investigation, on a certain deliberateness, on an attempt to discover sound principles, which has not characterized previous changes in American political institutions."

The principal changes have come in the field of municipal government which expert observers, including Lord Bryce, have characterized as our outstanding failure. Our original Council form of government was copied from the English system. The next fundamental change was to copy the Federal form; the office of Mayor and two-house legislative bodies were provided. The principal later changes were the adding of various appendages to municipal structures, with the result that at the end of the Nineteenth century, cities found themselves with the most complex system of city government that the world has ever seen—again quoting Dr. Hatton, "a system without any fundamental principles at all."

In 1901 the Commission form of government came into being in Galveston, Texas, due to the community's unwillingness to entrust to its old form of government the expenditure of millions necessary for flood rehabilitation work. The Commission form had a short mushroom growth, animated not so much by its intrinsic value, as by the widespread dissatisfaction with Mayor-Council government. Although an improvement, by shortening of the

ballot and reduction in the number of departments, it too developed inherent defects. In 1912, the adoption in Dayton, Ohio, of the City-Manager (also called Commission-Manager, and Council Manager) form of government came into great prominence by the publicity attending the Dayton flood. This form of government has grown by leaps and bounds; the growth of the Commission form practically stopped in 1913; and many cities have since abandoned it.

The great development of public opinion in the realm of municipal affairs has naturally had an influence on the State governments, although changes in these must naturally come about more gradually than changes in municipal governments. To instance the field for improvement, 38 states still operate with no semblance of a civil service law.

From a governmental standpoint, the California law grants to California cities probably a greater degree of home rule power than is enjoyed by cities in any of the other states. Last November the voters of Pennsylvania adopted a constitutional amendment to bring about home rule for cities. This is permissive only and requires legislative action to create and maintain such home rule powers. The voters of Montana likewise adopted a home rule amendment; under the terms of this a proposed Charter is to be submitted to the Legislature, to provide for city-county consolidation, affecting Butte and Silver Bow County, under the Manager form of government.

In California, as is well known, a constitutional amendment to establish executive budget procedure was adopted by vote of the people. Unfortunately, the Proportional Representation system of voting, which had been written in the Charter of Sacramento and which was voted on in Los Angeles last November, was declared unconstitutional by the Appellate Court. In Missouri, a Constitutional Convention is at work. The voters of Illinois last December voted down a proposed new Constitution, despite the fact that this represented a considerable improvement over the old document. The rejection, it was stated, was due to the fear that an income tax would be imposed, and also due to the limitation placed on Cook County (Chicago) representation in the Legislature. Also in Illinois, practically the whole legislative program of the 1921 Legislature, including Governor Lowden's bills reorganizing the State administrative system, was brought to a referendum vote by the opposing political party, and on such vote was rejected by the people.

The principal development in municipal government has been the spread of the Council-Manager form of organization. This is now effective in approximately 290 cities, with a total population of about 4,950,000 people. Cleveland, the fifth largest city in the country and the largest city to have adopted the Manager plan, begins operating thereunder in January, 1924. In California 29 cities, with a total population of approximately 575,000 people, are organized under the City-Manager plan. Recent California

additions are San Mateo, Berkeley, Modesto and Stockton; in Stockton, however, the Charter retains the Commission, with the Commissioners heading certain departments, and provides a Manager for coordinating certain other departments.

At the November election, the voters of Dayton, one of the large City-Manager cities, rejected an attempt to return to the old Mayor-Council form of government. A movement has been organized in this city to provide Proportional Representation, due to dissatisfaction based on the grounds that the Council is not sufficiently representative of the voters. The New York City Charter Commission has recommended Proportional Representation for application in the largest city in the country. Last November Baltimore, the eighth largest city, finally discarded its two-house legislative body, which leaves Kansas City as the only important city in the country where the two-house or bicameral legislative body still persists in municipal affairs. Kansas City at the November election rejected a proposed new Charter, the opposition to such Charter being centered largely on an effort to sustain a bi-partisan Water Board in the expenditure of a large bond issue, and also on the ground that rejection of the proposed Charter would leave the way clear to provide a City-Manager Charter next year.

To many students of political development, the spread of the Council-Manager form of government is the outstanding feature of our governmental development since we became a nation. Again quoting Dr. Hatton, "The Manager plan was the result of the observation of the Mayor-Council system over a period of nearly 100 years, and of the Commission government for a period of ten years. The change to the Manager system, under which the Council was elected but appointed a chief executive, was made with deliberation, with some notion of what it meant, and with some conception of fundamental principles. **There has been no proposal for political change made in the United States, not excepting the Constitution of the United States itself, which has had the consistent observation, investigation and study that this change in American municipal methods has had.** That is a fundamental difference between the Manager plan in its growth and development and any previous attempt to better our system of American city government."

Discussion of the San Francisco Charter

In consideration of the interest evinced in the series of Charter articles published in the various issues of THE CITY last year, it is planned to combine these for issuance later in 1923 as a single special issue of THE CITY. The original articles will probably be rearranged and other subjects added, as the series of ten articles by no means represented a complete analysis of the Charter.

The series included the following articles: No. 1, "Executive Responsibility," which discussed the diffusion of authority between the Mayor, the

Supervisors, various elective officers, and various boards and commissions; No. 2, "The Board of Supervisors—Legislative or Executive?" which discussed the administrative and executive functions of the Supervisors; No. 3, "The Lack of Constructive Criticism," touching upon the failure to provide within the organization for constructive criticism relative to administrative acts; No. 4, "Relation of the Government to the People," touching upon our election system and the long ballot; No. 5, "Charter Financial Procedure"; No. 6, "Unbusinesslike Budget Procedure"; No. 7, "San Francisco's Civil Service Procedure"; No. 8, "Public Improvement Procedure"; No. 9, "Boards and Commissions"; and No. 10, "Municipal Compensation Provisions."

Comment on the unsatisfactory purchasing provisions was not included in the series. The March, 1922, issue of THE CITY briefly discussed this; later, with a Charter amendment pending (which was adopted in November) to permit of new procedure, a discussion of the old procedure would have been of little value. Similarly with regard to Charter provisions governing finances and administration of municipally owned public utilities. The Bureau, in and out of season, has stressed the need for a Public Service Commission, with independent powers to operate the Municipal Railway, and other utilities that we may acquire, on a businesslike basis. Last year the Bureau cooperated with the City Engineer, the Hetch Hetchy Special Counsel, and the Finance Committee, in the draft of a Charter amendment to provide for such businesslike administration. Although not opposed, the measure was lost sight of among the fifty-three measures on the ballot, and failed to carry by a small number of votes.

Other matters not discussed in the Charter series, which should be included in any complete analysis of Charter provisions, are those relating to bonded indebtedness, bond funds, police and fire pensions, public improvements, and others. Discussion of the Charter provisions, which definitely establish the structure of government and sub-divide the governmental organization into specific units, should probably be postponed until remedies are actually being considered, lest public consideration of the undeniable defects of the existing Charter be obscured by differences of opinion as to how organization defects should be remedied.

Other provisions which merit consideration, such as those establishing three separate uncoordinated systems of courts, and that fix the specific duties and responsibilities of county officers, may also necessitate separate discussion. These provisions are now regulated by State law, and in some cases regulations can not be prescribed in a municipal charter.

Important Municipal Events

MUNICIPAL RAILWAY EXTENSIONS. Duboce tunnel assessment hearings continued at weekly Supervisors' meetings; expected to terminate February 26th. Consideration of Masonic Avenue extension postponed Feb-

ruary 13th for thirty days. Utilities Committee resolution, adopted February 19th, requests Board of Public Works to provide through service, Taraval Street line to Ferry.

Hetch Hetchy Progress. City Engineer estimates completion of Hetch Hetchy dam early in 1923; Mountain Division tunnel work in August, 1923; and Moccasin Creek power house about August, 1924. At Utilities Committee meeting January 17th City Engineer reported expenditures of $22,885,000 to January 1, 1923, and estimated $51,766,000 additional required (a total of $74,651,000) to complete Hetch Hetchy work.

Hetch Hetchy Bond Option. City Attorney advised Supervisors, February 13th, that, by agreement with Construction Company of North America, City could cancel that portion of Company's contract involving sale to Company of the remaining $5,280,000 of Hetch Hetchy bonds.

Disposal of Hetch Hetchy Power. A resolution to establish policy was introduced February 13th and referred to Utilities Committee, which provides that it shall be the policy of the Supervisors to bring in and distribute Hetch Hetchy power to consumers; hearing thereon February 28th. Appropriations of $570,000 made February 5th and 19th for copper and aluminum wire for transmission line.

Aquatic Park. Supervisors, on February 19th, appropriated $20,000 for partial payment on certain land for Aquatic Park, and decided on policy of completing purchase in three additional annual installments of $20,883 each. Chairman of Finance Committee stated that the $60,000 remaining in the South Beach Land Fund had been appropriated to Park Commission for Aquatic Park improvements.

Civic Center. Supervisors on January 29th withdrew condemnation suit on the Market-Hyde-Fulton block, and ordered condemnation of a 22x60 foot strip on Fulton Street side of block. Hotel promoters stated that the taking of this strip would prevent their proceeding with proposed hotel. On same date, Supervisors adopted agreement with the War Memorial Trustees for the purchase of two blocks bounded by Van Ness, McAllister, Franklin and Grove; funds to be advanced by War Memorial Trustees, City to pay half the cost in five annual installments. A rough estimate of the total cost was given as $1,200,000.

Salary Increases. In lieu of proposed $25 per month increases to Juvenile and Adult Probation employees, Finance Committee, January 22nd, proposed that Finance and Salary Standardization Committees jointly analyze all city salaries. This opposed on the ground that it would take at least two years; an amendment to grant the $25 per month increases, failing to secure the necessary fifteen votes, was lost. On January 29th, on reconsideration, Finance Committee proposed increases of $10 per month, which was carried.

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The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. III March, 1923 No. 3

Municipal Railway Balance Sheet and Income Account

Important Municipal Events

City Wages and the "Cost of Living"

Issued by

San Francisco

Bureau of Governmental Research

58 Sutter Street San Francisco, California

The City

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"An incorporated non-partisan citizens' agency to study public business, cooperate with officials and specifically work for economy and efficiency in municipal affairs."

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Municipal Railway Balance Sheet and Income Account

The Balance Sheet and Income Account of the Municipal Railway as of June 30, 1922, the end of 9½ fiscal years of operation, are reproduced herewith (cents omitted throughout). These, as is customary, have been audited by certified public accountants and have recently been issued by the Board of Public Works in printed form. The balance sheet shows assets of $9,654,208, segregated into capital $7,144,938, current $2,378,146, and deferred $131,124. Capital and current liabilities total $4,717,440, reserves $1,698,842, contributed surplus $332,553, and surplus from income $2,905,373.

The "surplus from income" is of particular interest. This is made up of $1,190,000 expended or held for bond redemption, $131,123 advanced on account of Stockton Street and Twin Peaks tunnel costs, $1,431,800 expended for additions and betterments, and a net operating surplus of $152,450 after deducting the book balance designated as "Charter Reserves."

The Depreciation Reserve is also of interest, from the standpoint of continued financial integrity of the system. The $1,603,000 reserve as of June 30th, was probably no larger than actually required for accrued depreciation of the property. As shown by the Income Account, a gross of $3,463,774 (18% of gross revenues) has been set up in the Depreciation Reserve since the start of operations in 1912. The disposition of this amount is not shown in the printed financial statement, but it is estimated, using approximations, that $1,100,000 has been used for bond redemption, $250,000 for accident claims, $450,000 for wage increases, and $210,000, net, for additions, betterments, advances, etc. The June 30th balance has been reduced, as of January 31st, to less than $1,150,000; the next balance sheet will record an important shrinkage in this item.

Municipal Railway Balance Sheet—June 30, 1922

Capital: Assets	1922	1921
Cash in Bond Funds	$ 17,428	$ 17,428
Road and Equipment	6,802,637	6,674,683
General Expenditures	324,873	324,873
Total Capital Assets	**$7,144,938**	**$7,016,984**
Current:		
Cash—Supt's Contingent Fund	$ 3,001	$ 3,001
Treas. Cash—General Operating Fund	205,497	228,580
" " Depreciation Fund	216,236	516,449
" " Compensation Ins. Fund	95,840	69,763
" " Bond Interest Funds	101,019	110,527
" " Bond Redemption Funds	99,100	100,200
Securities in Depreciation Fund	1,406,587	917,887
Accounts Receivable	8,854	88,701
Material and Supplies	242,012	161,906
Total Current Assets	**$2,378,146**	**$2,197,014**
Deferred (Accts. Rec.):		
Advance, account Twin Peaks Tunnel	$ 82,153	
Advance, account Stockton St. Tunnel	48,971	$ 48,971
Total Deferred Assets	**131,124**	**48,971**
Total Assets	**$9,654,208**	**$9,262,969**
Liabilities, Reserves and Surplus		
Capital—Funded Debt	**$4,390,100**	**$4,586,200**
Current:		
Accounts—Vouchers Payable	213,373	170,637
Interest on Funded Debt	113,967	123,621
Total Current Liabilities	**327,340**	**294,258**
Reserves:		
Depreciation	$1,603,573	$1,510,617
Compensation Insurance	95,269	69,577
Total Reserves	**$1,698,842**	**$1,580,194**
Surplus—Contributed:		
Premium on Funded Debt	$ 26,000	$ 26,000
Contribution from General Taxes	306,553	306,553
Total Contributed Surplus	**332,553**	**332,553**
Surplus from Income:		
Bonds Retired through Income	$1,090,900	$ 894,800
Reserve for Bond Redemption	99,100	100,200
Advanced Gen. Fund a/c Twin Peaks Tunnel	82,152	82,152
" " " a/c Stockton St. Tunnel	48,971	48,971
Charter Reserves	363,857	18,033
Additions and Betterments from Income	1,431,800	1,303,846
Operating Surplus (Deficit**)	**211,407	21,762
Total Surplus from Income	**$2,905,373**	**$2,469,764**
Total Liabilities, Reserves and Surplus	**$9,654,208**	**$9,262,969**

The Income Account shows "charter comparison charges" of $246,535 for the year, and $1,686,703 for the whole period of operations. These are bookkeeping entries, required by the Charter, of charges not paid by the system, but which would have to be paid if the system were privately owned. Practically all of the funds represented by these charges have been

expended for additions and betterments. The detail "comparison charges" since the start of operations are as follows: State taxes, $1,013,336; City franchise taxes $577,478; City car license fees $24,249; Federal income tax $13,270; law expenses and clerical salaries $18,372; insurance $39,958.

The Income Account shows an actual net income of $55,669 for the year, made up largely from interest on securities owned, and $1,229,593 for the whole period of operations. A theoretical deficit is shown, after comparison charges are set up, of $190,866 for the year, and $457,110 for the whole period of operations. As shown by the balance sheet, all but $363,857 of the total "comparison charges" of $1,686,703 have been expended. Against the $363,857 balance, there is an actual operating deficit of $211,407, leaving a net operating surplus of $152,450.

The statements show that all surpluses of the earlier profitable years have been expended, and that part of the depreciation reserve has been diverted to operating and additions. The universal policy of retaining part of surplus as "insurance" against future emergencies and losing years has not been followed. On the other hand, with the surpluses expended, there is a continual, strong pressure to disburse the balances remaining in the Depreciation Reserve for additional extensions.

Municipal Railway Income Account

	Fiscal Year 1921-22	Total 1912-1922
Passenger Revenue	$2,884,815	$19,248,179
Miscellaneous Revenue	11,300	82,631
Total Revenue	**$2,896,115**	**$19,330,810**
Interest on Securities Owned	48,476	214,858
Total Income	**2,944,591**	**19,545,668**
Operating Expenses:		
Ways and Structures	112,630	574,880
Equipment	216,315	1,091,245
Power	383,140	2,479,120
Conducting Transportation	1,324,927	8,105,007
Traffic	79	3,711
General and Miscellaneous	117,476	617,137
Loss on Road Retired		8,185
Total Operating Expenses	**$2,154,567**	**12,879.285**
Income Over Operating Expenses	$ 790,024	$ 6,666,383
Interest on Funded Debt	215,088	1,973,016
Income Over Operating Expenses and Interest	$ 574,936	$ 4,693,367
Reserve for Deprec. and Accidents (18% of gross)	519,267	3,463,774
Actual Net Income	**$ 55,669**	**$ 1,229,593**
Charter Comparison Charges (book entries only)	246,535	1,686,703
Theoretical Deficit	***190,866***	***457,110***

The financial statements indicate that the property to date has been a successful enterprise, has supplied needed service, and has accumulated large surpluses. This has been done on a five-cent fare, in spite of the fact that the fares in almost every other large city have had to be increased. The Municipal Railway project must be considered as an extra-govern-

mental service that must stand by itself without subsidy from taxpayers. Its important financial problems lie in the future; the present, only ten years away from the first small and highly successful beginning, is still too early to consider that the problem is solved. The extension program that has been continually before the Supervisors since October, 1921, and which, if consummated without additional funds, will wipe out all depreciation reserves, create a large deficit, and add other non-paying lines to the system, marks a critical point in Municipal Railway history.

Important Municipal Events.

PURCHASING PROCEDURE. Resolution by Supervisor Rossi, March 5th, providing for appointment and salary of Purchaser and appointment of Bureau of Supplies force; provides, also, that Purchaser shall recommend purchasing procedure to Supervisors, and shall, in co-operation with Auditor, install accounts in conformity with existing system. Referred to the Supplies Committee. Hearing thereon March 22nd.

MUNICIPAL RAILWAY EXTENSIONS. Hearing by Utilities Committee March 7th on Bureau's report relative to financing Municipal Railway extensions. City Engineer pointed out that additional $300,000 would be required for double-decking Potrero barn and for shops, including land. Utilities Committee referred matter to joint Utilities and Finance Committee for hearing March 16th; put over to March 23rd. Supervisors, March 19th, by resolution, authorized Mayor to negotiate with Market St. Railway for use of Company's tracks for Masonic Ave. extension. (Masonic Ave. extension, $345,000, and additions urged by City Engineer, will increase extension program deficit from the $2,009,000, stated in Bureau report of Feb. 9th, to $2,623,000.) Supervisors, March 19th, postponed consideration of Duboce tunnel until April 16th.

HETCH HETCHY BOND OPTION. Supervisors, March 19th, by agreement with the Construction Company of North America, cancelled that portion of Company's contract involving sale of remaining $5,280,000 Hetch Hetchy bonds.

RINCON HILL. Hearing by Supervisors on Rincon Hill assessment plan, postponed from Feb. 5th, scheduled for April 2nd.

TWIN PEAKS TUNNEL SETTLEMENT. Supervisors, March 12th, authorized payment of $20,000 from Twin Peaks assessment fund to R. C. Storrie, tunnel contractor. Original claim, $46,000, for interest on contractor's payments, held up two years by court action against the assessment. Offer made by contractor to compromise claim for $20,000; subsequently, judgment for the full amount was rendered.

MARKET STREET RAILWAY MAINTENANCE. At Supervisors' meeting, February 19th, record was made of informal report by City Engineer to

the effect that expenditure of $3,500,000 would be required to bring Market Street Railway tracks up to condition required by franchises.

INVESTIGATION OF CAMPAIGN EXPENTITURES. City Attorney advised Supervisors, March 5th, that they had no power to subpoena witnesses relative to expenditures for or against Charter amendments. Supervisor Hynes' resolution calling for an investigation of expenditures in behalf of Charter Amendment 53 (Market Street Railway purchase) referred to Judiciary Committee.

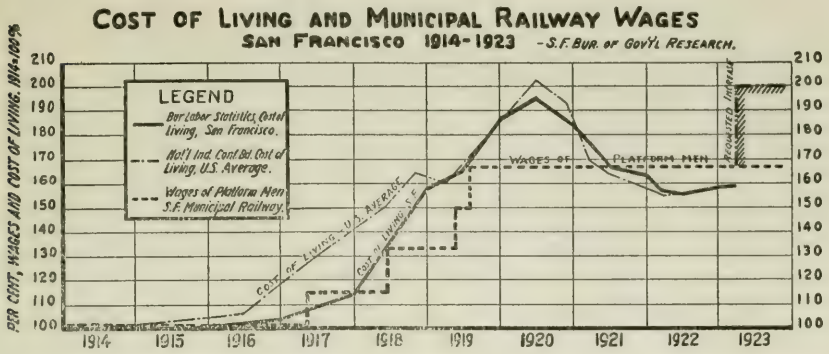
City Wages and the "Cost of Living"

A rapidly increasing "cost of living" was a most potent influence from 1916 to 1920, in both public and private employment and compensation conditions. Subsequently it faded out of prominence, being on a descending scale. During the last year it has again come to the fore. It is the argument used by laborers in the municipal service for a requested 10% increase (from $5.00 to $5.50 per day), and by Municipal Railway platform men for a requested 20% increase (from $5.00 to $6.00 per day).

The request of the Carmen's Union for an increase of 20% is based on the following arguments: An increase of 5% on food prices; an increase during 1922 of 11.5% in wholesale prices, and an expected future increase in retail prices based thereon; nation-wide increases in wages of skilled and unskilled labor; and difficulty of men to provide necessities of life for themselves and their families. The request of the carmen (motormen and conductors) has been followed by requests for increases from other railway employees. These requests have been taken under advisement by the Board of Public Works.

The accompanying chart shows the relation of Railway wages to nation-wide and San Francisco living costs, using 1914 factors as 100%. The nation-wide living cost figures are those of the National Industrial Conference Board; the San Francisco cost of living figures are those of the U. S. Bureau of Labor Statistics. The curves show a fairly close approximation between living cost and railway wage increases in San Francisco, except for the 1920 peak period. The differential operated against the men in 1920; it has operated in their favor during the last two years. The curve showing the amount of the requested increase, in relation to the actual living cost level, indicates the disproportion of the requested increase; it is not justified by the recent slight increase in living costs.

The 5% increase in food costs referred to in the petition covers a very limited period, and probably does not indicate the future trend. The last report of the National Industrial Conference Board, in which the 5% increase is shown, also shows a net decrease of 5% for the period December 1921 to November 1922. Furthermore, a 5% increase in food prices would represent only about 2% increase in living costs. The increases for



San Francisco and Oakland for the last quarter of 1922, as recently reported by the Federal Reserve Bank, range from .2% for housing to 3.2% for food, and amount to only 1.5% for all factors included in "cost of living."

The increase in wholesale prices, quoted from reports of the Bureau of Labor Statistics, is not the controlling factor in the change of living costs; the same authority shows a net decrease in living costs during 1922. The nation-wide wage increases referred to in the carmen's petition have, in practically all cases, been preceded by heavy decreases; many of the increases have been reported as being made to correct previous decreases more drastic than the decreased cost of living warranted. The wages of the platform men, on the other hand, were increased four times since 1914, without subsequent decreases.

The grounds upon which the request for increase is based are not indicative of necessity for an increase. Municipal Railway wages, unlike wages in industries previously reduced and now being increased, have suffered no reduction. The ratio of wages to living costs is higher than in 1914, and considerably higher than in 1920. Of eleven street railway companies in ten large cities, only Seattle (municipal system) and Chicago pay higher rates than the San Francisco Municipal Railway—67½c and 70c per hour, respectively. Two other cities, Philadelphia and Detroit (municipal system), pay the San Francisco rate—62½c per hour. The Portland rate is 62c per hour, Cleveland and Kansas City pay 55c, Denver and the S. F. Market St. Railway 52c, and Los Angeles 50c.

It is clearly impossible to pay the requested increases out of Municipal Railway revenues. The President of the Board of Public Works has pointed out that these would add $400,000 per year to the operating expenses of the road. The actual net income for each of the last two fiscal years has approximated only $55,000. The current year's operations show a deficit of approximately $7,000 to January 31st, due principally to an additional burden for the current year of approximately $68,000 as the

City's contribution under the new employees' pension law. This deficit will probably be increased by the end of the current fiscal year.

On the basis of living costs, and in comparison with rates paid in other cities, there is very little justification for the requested increase. From the standpoint of Municipal Railway revenues, the granting of the increase is clearly impossible. The soundest argument for an increase is that the rate of the platform men, $5.00 per day, is the same as that paid by the City to its unskilled labor, and that during the peak of living costs, unskilled labor was paid $6.00 per day as against $5.00 for the carmen, in spite of the higher qualifications required of motormen and conductors.

The laborers' request for an increase of 50c per day is stated as affecting 300 men; it would probably have the effect, in addition, of raising the whole scale of per diem wages in the city service. During the peak of living costs, laborers' wages were $6.00 per day, and these, as well as other per diem wages in the city service, were not reduced to the scale paid in private employment until long after reductions had been accepted in private employment in San Francisco.

The requested increases are not justified by present and probable future living costs. The present wages are higher in relation to "cost of living" than those paid in 1914. The increases are also not justified when it is considered that in paying at the "going rate," plus City allowances for pensions, holidays, vacations, etc., not common in private employment on which the "going rate" is based, the City pays for per diem service an average of $375 more per man per year than a contractor pays for similar employments.

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A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. III April, 1923 No. 4

The Coming Budget

City Purchasing

Per Capita Cost of Local Government

Important Municipal Events

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WILLIAM H. NANRY . . . . . *Director*
MARK H. GATES . . . . . *Secretary*

The Coming Budget

The formal preparation of the budget for the next fiscal year was started Wednesday, April 18th, when the Finance Committee began its hearings on the requests filed by the various departments. Although the first Monday in April (April 2nd) was the final date, under the Charter, for the filing of departmental estimates, few had been filed at that time; at the time of writing some are still out. The inadequate period of five weeks is all that is available for formulation, report and public consideration; under the Charter, the budget must be "passed to print" on or before May 26th.

Estimates of the probable budget at the present time can only tentatively and preliminarily appraise some of the major items. Bond interest and redemption will total not less than $5,300,000, exclusive of any interest for school and Relief Home bonds to be sold later. During the current year, over $500,000 was available, as interest on reinvestment of idle Hetch Hetchy and school bond moneys, to decrease the total debt charges. This revenue will be materially decreased next year, due to heavy Hetch Hetchy expenditures. It is probable that the current year's appropriation of $4,729,000 will be increased by approximately $350,000.

Actual "miscellaneous revenue" receipts to April 1st, indicate that the receipts for the whole year will very closely approximate the $3,839,000 estimated by the Bureau last July. Making the usual allowance for emergencies, it is probable that "miscellaneous revenues," from the standpoint of budget and tax rate for the coming year, will approximate $3,700,000.

A rough estimate indicates a "theoretical" budget total of approximately $26,300,000. This is based on consideration of items making up the current budget of $24,893,000; commitments, such as War Memorial,

the $1,250,000 promised last year for schools, and other items; increased fixed charges, and some expansion of existing services. Assuming an assessment roll of $635,000,000, as compared with the current roll of $615,000,000, a budget of $26,300,000 would require a $3.56 tax rate, or an increase of 9c. Practically, however, the budget total will probably be held to a figure that will avoid the necessity of any increase over the present rate of $3.47. The situation promises to force heavy curtailments in improvements or services, or the development of new revenues, if an increased tax rate is to be avoided.

City Purchasing

A centralized, businesslike method of purchasing city materials, supplies and equipment is provided by an ordinance approved by the joint Supplies and Finance Committees, and now before the Supervisors. It is estimated that the City's annual bill for supplies is nearly $4,000,000, and that centralized purchasing and improved methods will result in a saving of at least $200,000 per year.

In 1918, and again in 1920, unsuccessful efforts were made by the Bureau to have the Supervisors approve, and place on the ballot, a Charter amendment under which modern purchasing procedure could be provided. In February, 1922, the Bureau, at the request of Supervisor Rossi, Chairman of the Supplies Committee, submitted a detailed report on the City's purchasing, which pointed out the many improvements needed. Subsequently a Charter amendment was presented by the Supervisor, and approved by the Board, requiring the Supervisors, by ordinance, to provide a method of purchasing supplies, regardless of existing Charter restrictions. This was adopted by the people at the November election.

Last January, at the request of the Supplies Committee Chairman, the Bureau submitted a first tentative draft of the necessary ordinance. This was replaced by a resolution introduced by Supervisor Rossi, which provided only for the appointment of a Purchaser and the organization of the Bureau of Supplies, and left the matter of procedure to be later recommended by the Purchaser. This was considered inadequate and was in turn replaced by a second ordinance. This was considerably revised and twice redrafted, after many conferences participated in by the Supplies Committee Chairman, Chairman of the Supplies Committee of the Board of Education, the Chief Accountant of the Board of Public Works, the Superintendent of the Relief Home, the Expert for the Finance Committee, who as former accounting expert on the Bureau staff, handled the Bureau's 1920 study of city purchasing; the Assistant City Engineer, the Assistant City Attorney, the Chief Inspector of the Civil Service Commission, and the Director of the Bureau.

Under its constitution and by its policy, the Bureau is specifically barred

from concerning itself for or against any candidacy or appointment, for any elective or appointive office. In its work on the ordinance, the Bureau was concerned with methods and procedure, and not with any possible future appointee. During the preparation of the Charter amendment last year, the Bureau sought to secure provision that the *method* of appointment be by civil service; subsequently, it suggested a competent committee, a wide canvass and civil service methods, to insure that, when made, the selection would attract wide popular approval.

The procedure incorporated in the ordinance represents a tremendous forward step. The new system, if enacted, will compare favorably with the purchasing practice in any of our large cities, except as to the accounting control of purchase orders. The Bureau urged that the Auditor's certification of availability of funds be required before purchase orders could be issued. By agreement, however, detail specification was postponed until the most practicable procedure could be worked out by the Auditor and the Purchaser. The joint Supplies and Finance Committtees, however, went further and struck out the section dealing with accounting control. This is now a weak spot in the operation of the City's uniform accounting system; lack of specification in the purchasing ordinance does not make it worse, but still leaves it as an important defect that must be corrected in the near future.

Reprints of the ordinance, when passed by the Board of Supervisors, will be secured and mailed to the readers of THE CITY. A brief digest of the various sections is outlined below.

Section One creates a Bureau of Supplies. Leonard S. Leavy (now Chief Accountant of the Board of Public Works, and Vice-Chairman of the Mayor's Committee on Uniform Accounting) is appointed as Purchaser, at a salary of $10,000 per year, under bond of $20,000. Section Two provides that the necessary staff shall be appointed, on recommendation of the Civil Service Commission, from among employees now engaged on purchasing or supplies duties in the various departments.

Section Three requires departments to file estimates of needs, at time and in manner as determined by Purchaser. Purchases must be based on departmental requisitions, except that materials used in large quantities, or in common use by several departments may be purchased on basis of total estimates. Open market purchases, except "proprietary articles" and fresh fruits and vegetables, must be based on at least three quotations, which must be recorded. The Purchaser shall co-operate with the various officials to standardize articles according to use; he shall provide for adequate specifications.

Section Four authorizes Purchaser to sign purchase orders and contracts; contracts must first be awarded by Supervisors; if over $1,000 must also be signed by department head concerned. Notice of award must be published two days. Contracts must be made with lowest bidder, quality and

delivery, however, to be considered. If other than lowest bid is accepted, reason for accepting the higher bid must be stated in writing in the award, and filed with the Auditor. Any and all bids may be rejected. When the City Engineer reports an emergency on public utility construction, the Purchaser, on request of Board of Public Works, is authorized to forthwith purchase articles needed.

Section Five requires sealed bids for purchases to be based on contract. Purchases aggregating over $1,000 must be by contract, except in case of emergency, or unusual market conditions, as determined by Purchaser on recommendation of department head affected, and with approval of Supplies Committee Chairman. If no bids are received, or all bids are for same amount, articles may be purchased in the open market at not more than price bid. Bids must be accompanied by certified check in sum specified by Purchaser, and payable to his order. Before execution of contract, surety for faithful performance, of not less than 25% of award, must be filed. If successful bidder fails for ten days to enter into contract, the Purchaser shall cash his certified check and deposit money in treasury.

Bids must be delivered to Board of Supervisors and publicly opened, and may be inspected by bidders after tabulation. All altered bids must be rejected, and statements designed to qualify specifications shall not be considered as part of any bid. Deliveries are subject to inspection and rejection by Purchaser and departmental officials concerned. Dealers violating contracts may be declared irresponsible by joint action of Purchaser and head of department affected, and barred from further contracts for one year, unless Supervisors, by a two-thirds vote, remove disqualification. Section Six requires publication of notices inviting bids for two days; five days must elapse between last publication and date of filing bids.

Section Seven authorizes emergency purchases by departments, up to $25, with consent of Purchaser. Section Eight authorizes the creation of a store and requires monthly reports of departmental stores on hand; Purchaser may transfer surpluses, and make accounting thereof, to fill orders of another department. Section Nine requires Purchaser to establish necessary rules and regulations, and to recommend to the Supervisors from time to time, such additional measures as he shall deem expedient. Section Ten authorizes Purchaser to prescribe tests for determining quality of purchases or deliveries, and to use City laboratory facilities therefor. Section Eleven provides that ordinance shall take effect May 15.

Per Capita Cost of Local Government

The eleven-year period, from 1911-12 to the current fiscal year 1922-23, shows an increase of 70% in San Francisco's per capita budget expenditures—from $27.45 to $46.61. These figures do not include bond fund disbursements, nor Municipal Railway and other unbudgeted expenditures

which are paid out of special revenues. The budget for the current year, $24,892,678, represents an increase of 108%, in comparison with the 1911-12 budget of $11,938,750. During the eleven-year period, population increased 22.7%, according to Census Bureau figures—from 435,000 to 534,000. Assessed valuations increased from $461,856,000 to $615,330,000, or 33%. Per capita tax levies increased 88%, due, in part, to a decrease, both in total amount and per capita, in the so-called "miscellaneous revenues"—fees, licenses, fines, etc.

The accompanying table shows expenditures segregated according to the standard classification, and discloses many interesting facts. The heaviest increase, approximately $4,000,000, is for education, which, per capita, increased from $4.50 to $11.20, or 149%. Debt charges increased nearly $3,200,000, a per capita increase of 146%—from $3.53 to $8.67. Protection of persons and property increased approximately $1,700,000; per capita, from $8.22 to $9.86, or 20%. Another heavy increase is registered by hospitals, charities and corrections; this in amount increased over $1,500,000, and, per capita, 118%—from $2.08 to $4.53.

Comparative Budget Expenditures, 1911-12 and 1922-23

	AMOUNT				PER CAPITA			
	1911-12 (Read as thousands)	1922-23	Inc.	% Inc.	1911-12	1922-23	Inc.	% Inc.
Protection, Persons and Property	$3,575	$5,263	$1,688	47.	$8.22	$ 9.86	$1.64	20.
Schools and Libraries	1,956	5,982	4,026	206.	4.50	11.20	6.70	149.
General Government	1,843	2,481	638	35.	4.24	4.65	.41	10.
Hospitals, Charities and Corrections	905	2,419	1,514	167.	2.08	4.53	2.45	118.
Health and Sanitation	535	1,120	585	109.	1.23	2.10	.87	71.
Highways	996	1,310	314	32.	2.29	2.45	.16	7.
Parks and Playgrounds	418	1,075	657	157.	.96	2.01	1.05	109.
Pensions and Miscellaneous	177	514	337	190.	.41	.96	.55	134.
Bond Interest and Redemption	1,534	4,729	3,195	208.	3.53	8.67	5.14	146.
TOTAL	$11,939	$24,893	$12,954	108.	$27.45	$46.61	$19.16	70.
BUDGET INCOME, 1911-12 AND 1922-23								
State Aid	$ 838	$ 1,884	$1,046	125.	$ 1.93	$3.53	$1.60	83.
Miscellaneous Revenue	1,864	1,657	207*	11.*	4.29	3.10	1.19*	28.*
Tax Levy—Real Estate	5,386	10,306	4,920	91.	12.38	19.30	6.92	56.
" " —Improvements	2,704	7,372	4,668	173.	6.22	13.80	7.58	122.
" " —Personal Property	1,147	3,674	2,527	220.	2.64	6.88	4.24	161.

* Decrease.

Of about equal weight, from the standpoint of gross amount of increase, each about $600,000, are the increases of 10% in per capita costs for general government, 71% for health and sanitation, which includes street cleaning, and 109% for parks and playgrounds. The two remaining segregations, which show total increases of about $300,000, are highways, including street lighting, with a per capita increase of 7%, and pensions and miscellaneous, with a per capita increase of 134%. The greatest per capita increase is 149% for education, and the smallest 7% for highways.

On the revenue side, the actual amount received as subventions from the State increased 125%, a per capita increase of 83%; this increase is made up largely by increased rates for school aid. As stated above, the "miscellaneous revenues" have decreased—11% in total amount and 28% per

capita. This is due to the loss of liquor license revenue, and to the failure to make up such loss from other miscellaneous revenues. The resulting deficiency has been shifted automatically by the tax rate to the taxable property listed on the assessment roll. All assessable property shows a per capita increase of 88%; subdivided the increases are 56% for real estate, 122% for improvements, and 161% for personal property.

Using per capita costs as the measuring stick, the statistics reflect, locally, the nation-wide increased expenditures for education, recreation and the social services. The figures must be used with caution and with consideration of both percentages and actual increases, if they are not to be misleading. Without wishing to imply that the costs, as represented by the current budget can not be reduced—the Bureau has often expressed itself otherwise—the per capita increase of 70% (which, roughly speaking, reflects the 108% budget increase, modified by increase in population) can be compared to increases shown by compilation of the U. S. Bureau of Labor Statistics from 1911 to the end of 1922 of 60% in wholesale prices of all articles, 55% in retail food prices, and 70% in cost of living.

Important Municipal Events

Municipal Railway Extensions. Hearings of joint Utilities and Finance Committees, to which Bureau's report of February 9th was referred by Utilities Committee, successively set for, and postponed, March 16th, 23rd and 28th and April 4th and 11th. Resolution authorizing negotiations for use of Market Street Railway tracks, as part of Masonic Avenue extension, which was passed to print March 19th, was opposed by several organizations March 26th, and was referred back to Utilities Committee. Hearings set for April 4th and 11th were postponed. Hearing by Supervisors on Duboce Avenue tunnel, put over from March 19th to April 16th, was again postponed to May 14th. A new plan was discussed April 16th, under which half of the tunnel cost, approximately $825,000, would be paid by the City, in addition to City's proposed expenditure of $1,220,000 for tracks, equipment and car-barn.

Rincon Hill. On April 2nd, joint executive committee, representing property owners and Chamber of Commerce, formally proposed a new Rincon Hill regrade plan: City to assume cost of work on *accepted* streets, estimated at about $500,000; property owners, operating through a syndicate, to assume cost of work on private property, approximating $2,600,000; assessment district to assume cost of work on *unaccepted* streets, $500,000 to $600,000. Hearing before joint Streets and Commercial Development Committees April 17th; continued two weeks.

Relief Home Site Objected to. Board of Health recently held hearing on proposal that new site be found for Relief Home before new buildings are constructed. Claimed that location is objectionable, that

present site of approximately 100 acres is worth $5,000 per acre, and that suitable land can be secured for $1,000 per acre. Opposed by Supt. of Relief Home on ground that adequate site would cost $3,500 per acre and that, on a new site, City would have to provide additional funds to replace infirmary and other permanent structures, which cost $600,000 ten years ago and which he estimates could not be duplicated on another site for less than $1,000,000. Board of Health ordered that plans for reconstruction on present site be proceded with.

Market Street Railway Purchase Opposed. Communication filed with Supervisors April 9th from the Taxpayers' Association, urging that Market Street Railway purchase negotiations be dropped, that the Company be granted franchise conditions under which it could make necessary extensions to existing lines, and that if a unified system is necessary, the Municipal system be leased to the Company.

Salary and Wage Increases. Board of Public Works on March 1st and April 1st increased salaries of twenty-one clerical and administrative officers, the amount of increase ranging from $200 to $1,200 per year. Chauffeurs and teamsters recommended for increase in the new budget. Municipal Railway petition for wage increases placed before Supervisors. Application for injunction to restrain Works Board from paying wages in excess of Wage Board award was denied.

East Side Highway. Supervisors April 2nd pledged $250,000 appropriation from Good Roads Fund for construction of proposed East Side Highway by State Highway Commission if Highway Commission would agree to build the road, and if the Motor Vehicle Act is amended to permit Good Roads Fund expenditures outside of County.

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The 1923-1924 Budget

The City's program and policies for the coming fiscal year were determined last week when the 1923-24 budget was passed to print by the Board of Supervisors. The budget, as passed, totals $25,708,566, an increase of $145,264 over the Finance Committee's original budget report of $25,563,302. The probable tax rate is difficult to determine, being dependent upon the actual amount, as yet unstated, of Hetch Hetchy Railroad revenues to be used for Hetch Hetchy interest payments. The Bureau's estimate of the probable amount of these and other revenues indicates a rate of $3.464 if Hetch Hetchy Railroad funds are used.

The program outlined in the budget proposed by the Finance Committee contains three unusual features—the reduction in the appropriation recommended for school buildings, the proposed use of Hetch Hetchy Railroad revenues, and the imposing array of improvements provided for. The principal interest manifested by the general public was for the purpose of securing additional improvements, and the budget was considered and passed with only twelve members of the Board present. The Finance Committee amended its original report by adding $61,000 for fire boats, and an additional $32,184 for police, health and miscellaneous items; various Supervisors proposed other additions, which were agreed to, totaling $52,080. The budget was amended more freely than was the case a year ago, at which time the Finance Committee insisted on the policy that if any item was added or increased, a corresponding reduction must be made in other items.

From its analysis of the budget estimates submitted by departments, the Bureau believes that the formulation of the budget presented a more difficult problem to the Finance Committee than any other budget within the

Comparative Budget Allowances

1922-1923—1923-1924

	1922-23 Budget Allowance	1923-24 Budget Allowance	Increase (—Decr)	% Incr. (—Decr.)
Legislative Department (Supervisors)	$ 156,800	$ 152,800	$—4,000	—3.
General City and County Departments	544,154	570,650	26,496	5.
General and Miscellaneous—Services and Supplies	293,600	329,200	35,600	12.
Legal Departments (City Attorney, District Attorney, etc.)	192,800	189,600	—3,200	—2.
Judicial Departments (Courts, County Clerk, etc.)	463,639	470,015	6,376	1.
Department of Elections	316,650	328,300	11,650	4.
Street Lighting	560,000	565,000	5,000	1.
Police Department	2,319,832	2,398,864	79,032	4.
Fire Department	2,591,909	2,696,288	94,379	4.
Department of Electricity	154,490	174,141	19,651	13.
Public Works—General and Engineering	384,132	388,144	4,012	1.
Public Buildings—Maintenance and Repair	414,670	417,790	3,120	1.
Street Repair and Reconstruction	668,869	720,750	51,881	8.
Street Cleaning	475,765	447,565	—28,200	—6.
Sewer Repair and Cleaning	239,395	239,755	360	
Health Department—Inspection, Hygiene and Gen. Misc.	340,303	383,301	42,998	12.
Relief Home	319,475	325,638	6,163	2.
San Francisco and Isolation Hospitals	740,646	758,823	18,177	2.
Emergency Hospitals	149,180	150,980	1,800	1.
Charities (Aid to Orphans, Widows, Blind, etc.)	877,840	863,440	—14,400	—2.
Corrections (Jails, Probation Officers, etc.)	276,531	284,935	8,404	3.
School Department	4,799,564	5,041,809	242,245	5.
Public Library	228,000	236,250	8,250	4.
Parks, Playgrounds and Amusements	777,000	823,000	46,000	6.
Pensions (Fire, Police and General)	414,000	665,000	251,000	61.
School Buildings and Land	930,000	500,000	—430,000	—46.
Other Permanent Improvements	534,500	1,376,700	842,200	153.
Bond Interest and Redemption	4,728,934	4,219,828	—509,106	—11.
TOTAL	$24,892,678	$25,708,566	$815,888	3.

direct information of the Bureau. The Bureau's analysis indicated a minimum budget that would require a probable minimum tax rate of $3.56, assuming that the full appropriation of $1,250,000 was made for school buildings and that Hetch Hetchy Railroad revenues were not used. The Bureau submitted a number of suggestions to the Finance Committee; several of these were in relation to matters that are brought to the fore during annual budget consideration, but which cannot be corrected without change in charter provisions governing such matters. The Finance Committee considered that, in its opinion, these were constructive and desirable. It will be the privilege of the Bureau to co-operate with the Committee and the Supervisors, with the confident expectation of bringing such changes about in 1924.

The proposed budget represents a mathematical increase of $815,888 over the current budget; the actual increase, however, is approximately $1,650,000. This is not apparent, by reason of the fact that an actual gross increase in debt charges is absorbed, and, in the proposed budget, is shown as a decrease, by reason of the intended use of accumulated Hetch Hetchy Railroad revenues. The difficulty in determining, from available information, the actual amount of such revenues that are intended to be used to reduce the gross amount of interest charges, indicates in a striking way the need of a statement of expected revenues as a necessary part of the proposed budget. The Bureau reiterated to the Finance Committee and the Supervisors its previous recommendation that budget information include a statement of the amount and source of expected revenues that, in total, are expected to fund the total budget.

The accompanying table shows by convenient grouping the appropriations, with relation to allowances for the current year, and the percentages of increase over the current year's allowances. The principal increases are $842,200, or 153 per cent, for improvements, exclusive of school buildings; $251,000, or 61 per cent, for pensions; $242,245, or 5 per cent, for school operation; $94,379, or 3½ per cent for Fire Department; $79,032, or 3½ per cent, for Police; $51,881, or 8 per cent, for streets; $46,000, or 6 per cent, for playgrounds, and $42,998, or 12 per cent for health. The actual increase in appropriations for improvements, exclusive of schools, is offset by the decrease of $430,000 in the appropriation for school construction, leaving a net increase for improvements of $412,000, or 28 per cent.

Considering the budget informally, the current year's operating program is changed principally as follows: The sum of $300,000 is provided to acquire Civic Center property (which has been under condemnation for ten years), for opening Leavenworth Street into Market, the purchase to be at prices fixed when the condemnation suits were filed, the ultimate cost to be $900,000, of which the proposed appropriation covers one-third; provision is made for two Fire Department buildings and a Police building; initial payments are provided toward the purchase of two additional

playgrounds; initial payment is provided toward the purchase of a live stock building to be financed and constructed by private capital at the Marina, and purchased by the City on the partial payment plan; approximately 130 salary increases are provided for; 31 patrolmen on detective duty are raised to detective sergeants' pay and 20 new police officers are provided; the first appropriation for the maintenance of the Steinhart Aquarium is provided.

Last August, when the school bond question was before the Supervisors, the Finance Committee announced as its recommended policy to the Supervisors that the proposed $12,000,000 issue be used entirely for rehabilitation, and that for new school buildings required for expansion, it would recommend the pay-as-you-go plan—specifically $1,000,000 each year for an average of three new schools, plus $250,000 for repairs. It is to be regretted that this policy has already been waived, by the appropriation of $500,000 for one new school and for repairs, instead of the $1,250,000 requested and, according to the Board of Education, required. If bond funds are diverted to provide schools required for expansion, rehabilitation of deficient existing structures is bound to suffer, and thus, in a short time, force the apparent need of a new bond issue on the plea of necessity for rehabilitation. "Pay-as-you-go" adds to current taxes at the start, but results in tremendous savings to taxpayers. "Pay-as-you-go" at the rate of $1,250,000 per year, instead of $500,000, would add 12 cents to the tax rate, but, in conjunction with the $12,000,000 bond issue, apparently represents the only available method of catching up and staying caught up.

A digest of a portion of the Bureau's recommendation to the Finance Committee and the Board of Supervisors is outlined in the following. Work on a number of matters other than those touched upon here is pending or in progress with the several departments; suggestions growing out of such work are to be taken up with the several departments concerned.

Reorganization Measures. One year ago, when the budget was being considered by the Supervisors, the Bureau proposed several reorganization measures for the purpose of promoting economy and expediting city business. Most of these were later presented as amendments to the budget as it was being "passed to print." It was stated at that time that the Finance Committee viewed these as constructive suggestions and, during the year, would investigate them; and further, that the Finance Committee favored the adoption of mechanical means of doing city business, where this would promise favorable results. The several matters then referred to are again presented to the Supervisors as follows:

Auditor's Office. Estimated reduction in force, $4,200, by the mailing of warrants instead of the present practice of filing these and delivering them individually over the counter to the vendors. This, in addition to promoting the City's business, would save persons and firms

doing business with the City the trouble and expense of a trip to the City Hall to receive payment for materials furnished or services rendered.

Treasurer's Office. Proposed reduction in personal service, $2,400, to be effected if mailing of warrants and payment of per diem employees in the field is inaugurated.

County Clerk's Office. Revision of the procedure of copying documents, similar to that partially effected in the Recorder's Office. It is estimated that the present force of 38 copyists can be reduced by eight, which, with the necessary allowance for equipment, will represent a net saving of $9,000 the first year and over $15,000 thereafter.

Bureau of Street Cleaning. Estimated net reduction, after the purchase of equipment, $12,700, by the motorization of can collection routes; one auto truck chauffeur, operating expense, and two men to replace present force of six teams and six men.

Bureau of Sewers. Estimated net saving, after purchase of equipment, of $1,350, by motorization of catch basin cleaning pick-up service. One truck with driver to replace the present force of three teams.

Street Cleaning Equipment. No allowance is made for street cleaning equipment, for which $25,000 was requested. The Board of Public Works estimate sheets show an additional intended expenditure for the current fiscal year of approximately $9,000. The Bureau's study of street cleaning, the field work on which was completed some time ago, shows the great need in this department of additional motorized equipment. Ample appropriations have been made for equipment during the last three years, but have been used for other purposes. If the Supervisors can insure the use of an appropriation for equipment for that purpose, the Bureau believes that an additional $15,000 is needed and justified.

Board of Supervisors. On many occasions the Clerk of the Board and individual Supervisors have stated that the present force is excessive for the work to be done. Definite proposals to reduce the force have been made by previous Finance Committees and the Mayor, without result. It is suggested that the general force of 12, with a payroll of $33,900, be reduced by one-third, or $11,300.

Recorder. The use of printed forms has operated to reduce the volume of work to be copied, and to reduce the copying force from 31 to 26. The greater speed of copying by means of typewriters and loose-leaf books in place of the former equipment has not, as yet, been fully reflected in increased average output; the arbitrary quotas of folios to be done per day, established when the displaced equipment was still in use, are still maintained. It is estimated that if compensation for this work is placed on a folio basis, as has previously been proposed to the Finance Committee by both the Recorder and the Bureau, the limitation of work will be automatically removed and the force can be further reduced by at least three copyists, an estimated reduction of $5,940.

Reduction to Going Scale of Wages. The proposed budget shows wage rate allowances for 39 employees in excess of the established going scale recognized in private employment in the City. Practically all of these higher wages are being paid at the present time. The excess amounts to $4,968 for the 39 employees, and would be increased by similar higher rates for school repair forces which are not itemized in the budget. Earnings in city service, when paid at the wage rate prevailing in outside employment, are considerably higher than in private employment, due to privileges and benefits common to city service compensated at a monthly rate. City employees paid at the prevailing rate already have an advantage, due to the fact that such rate is fixed in consideration of intermittent employment, whereas city employment is steady and is supplemented by full pay for non-working holiday time. The Bureau believes that there is no warrant for the payment of these excess wages, and that the proposed budget should be reduced by the amount involved thereby. The several budget items and the proposed reductions are as follows:

No. 335	Building Repairs (5 Foremen)	$ 750
No. 336	Building Repairs (25 Craftsmen)	2,940
No. 341	Stores and Yards (2 Craftsmen)	255
No. 349	Street Repairs (6 Engineers)	918
No. 350	Bridges (Carpenter)	105
		$4,968

Excess Team Rates and Saturday Pay. Fifty-six teams are allowed in the proposed budget at a rate of $11.50 per day, as compared with the going rate of $11.00 per day. The excess amount involved by the higher rate is $9,975. The Bureau believes there is no justification for these excess rates, and that the proposed budget should be reduced by the $9,975 included therein for this purpose.

The proposed budget, conforming to past practice, allows $18,126 to cover payment for teams for Saturday half-holidays. Whatever justification there is for allowing Saturday half-holidays, with pay, to per diem employees, can hardly apply in the case of team hire, which is contractual rather than personal service. Although this matter has been proposed without result to the Finance Committee and the Board of Supervisors on several occasions, it is the Bureau's belief that the $18,126 requested for this purpose should be disallowed.

The several budget items and the proposed reductions are as follows:

		Excess Wage	Sat. Half Holiday
No. 341	Stores and Yard (1 team)		$ 256
No. 349	Street Repair (5 teams)	$ 675	1,265
No. 353	Street Cleaning (45 teams)	8,400	13,155
No. 356	Sewer (6 teams)	900	3,450
		$9,975	$18,126

Tax Judgments. Final judgments filed against the City for illegal

SAN FRANCISCO PURCHASING ORDINANCE

(Effective May 28, 1923)

Bill No. 6320. Ordinance No. —— (New Series) PROVIDING FOR THE ORGANIZATION OF THE BUREAU OF SUPPLIES CREATED BY CHAPTER IV, ARTICLE II OF THE CHARTER, APPOINTING A PURCHASER OF SUPPLIES AND FIXING HIS SALARY, AND PROVIDING A METHOD BY WHICH THE SUPPLIES SHALL BE PURCHASED AND THE MANNER OF CONTRACTING THEREFOR.

Be it ordained by the People of the City and County of San Francisco as follows:

Section 1. Pursuant to the provisions of Chapter IV of Article II of the Charter of the City and County of San Francisco, a Bureau of Supplies is hereby created and Leonard S. Leavy is hereby appointed Purchaser of Supplies. He shall receive a salary of Ten Thousand Dollars ($10,000) a year payable in equal monthly installments. He shall give an official bond, to be approved by the Mayor, in the sum of Twenty Thousand Dollars ($20,000).

Section 2. He shall submit to the Civil Service Commission the names of all employees of the City and County who at the time of the creation of the Bureau were exclusively performing the duties of purchasers of supplies or inspectors, clerks, stenographers, accountants, engaged in or for that Bureau and the Civil Service Commission shall determine to what positions said employees shall be entitled to be transferred to the Bureau and to be deemed to hold such positions within the provisions of Article XIII of the Charter, as provided by Chapter IV, Article II of the Charter. He shall at the same time he shall recommend to the Civil Service Commission any changes in titles of such positions as he may think necessary. He shall also recommend to the Board of Supervisors a list of any additional positions that he deems necessary to be established in the Bureau by ordinance stating in detail the duties of each position and suggesting for the guidance of the Board of Supervisors and the Civil Service Commission a suitable designation for each position and the salary thereof.

Section 3. All departments shall file estimates of materials, supplies and equipment at such times and in such manner as shall be determined upon by the Purchaser of Supplies. All purchases shall be made by the Purchaser of Supplies upon requisition of the department desiring the same, except that for materials, supplies and equipment in common use by more than one department or used in large quantities by a department, the Purchaser of Supplies may purchase for stock on the basis of the total of such requisitions or estimates previously filed.

All purchases in the open market except for patented or proprietary articles and except for perishable materials and except for fresh fruits and vegetables shall be based on at least three quotations. The Purchaser of Supplies shall keep a record of such quotations and a register of all informal awards. All articles defined as "patented" or "proprietary" articles for which bids shall not be required shall be listed and filed with the Board of Supervisors and the Auditor.

The Purchaser of Supplies in cooperation with the officials of the several departments, shall provide for the standardization of materials, supplies and equipment in accordance with the use to which the various articles are to be put, and shall provide for adequate specifications for materials, supplies and equipment used in large quantities, or in common use by more than one department.

Section 4. The Purchaser of Supplies is hereby authorized to enter into all contracts and sign all Purchase Orders for materials, supplies and equipment, provided that any contract shall first be awarded by the Board of Supervisors upon recommendation of the Supplies Committee and notice of such award shall be published. Any contract calling for an expenditure in excess of One Thousand Dollars ($1000) must also be entered into jointly with the department making the original request. Provided, however, that all contracts or purchase orders shall only be made with the lowest responsible bidder, quality of the product offered and delivery to be considered, and provided further that if the Purchaser of Supplies believes the public interest would be subserved by accepting other than the lowest bid, the reasons for accepting such higher bid shall be submitted in writing as a part of the award and a copy thereof filed with the Auditor, and provided further that no award shall be made to any bidder, other than the lowest bidder, except in consideration of deliveries or on account of the quality of the article or articles offered, to be determined by such tests as may be required or recommended by the Purchaser of Supplies.

The Purchaser of Supplies may, with the approval of the Board of Supervisors reject any and all bids, or the bid for any one or more articles embraced, when the public interest will be subserved thereby.

When the Board of Public Works is engaged in the construction of a public utility and the City Engineer reports that an emergency exists which requires the immediate purchase of materials, supplies or equipment for use in such construction, then the Purchaser of Supplies, upon the written request of the Board of Public Works, is authorized to forthwith purchase such materials, supplies or equipment in the open market at the lowest obtainable price.

Section 5. The Purchaser of Supplies shall call for sealed competitive bids for all purchases which are to be based on a written contract. All purchases in excess of One Thousand Dollars ($1000) shall be based on written contract, except in case of an emergency actually existing by reason of extraordinary conditions or contingencies that could not be reasonably foreseen or guarded against, or unusual trade or market conditions as may be determined by the Purchaser of Supplies upon recommendation of the department affected and with the approval of the Chairman of the Supplies' Committee.

Where no bid is received or where all bids received are for the same total amount or unit price, the Purchaser of Supplies may purchase the commodities called for in the open market provided, however, that the price paid in the open market shall not exceed any bid price received for the same commodities.

All proposals calling for sealed competitive bids under the conditions of this section shall require each bid to be accompanied by a certified check or certificate of deposit on a solvent bank in the City and County of San Francisco, in such sum as may be specified therein by the Purchaser of Supplies and payable at sight to his order. Before the execution of any contract, the Purchaser of Supplies shall require the successful bidder to file a bond with good and sufficient sureties for the faithful performance of the contract, in a sum not less than twenty-five (25%) per cent of the aggregate award. If the bidder to whom the contract is awarded under the provisions of this section shall for ten (10) days after such award fail or neglect to enter into the contract and file the required bond, the Purchaser of Supplies shall draw the money due on such certificate of deposit or check and pay the same into the treasury, and under no circumstances shall the certificate of deposit or certified check be returned to such defaulting bidder.

All bids shall be sealed and delivered by the bidder to the Clerk of the Board of Supervisors, and shall be opened by the Board at an hour and place to be stated in the advertisement for proposals in the presence of all bidders who attend. Bidders may inspect the bids after reference to and tabulation by the Bureau of Supplies. All bids with alterations or erasures therein shall be rejected. When specifications do not include alternative proposals, statements or communications accompanying bids, which serve to qualify such bids, shall not be considered in making awards. All articles supplied shall be subject to inspection and rejection by the Purchaser of Supplies or any department official or subordinate charged with such duty, or by both.

Any contractor who fails to live up to the terms of his contract for the delivery of materials, supplies or equipment, may upon the joint action of the head of the department and the Purchaser of Supplies, be declared an irresponsible contractor and shall not, for a period of one (1) year thereafter, be awarded any further contract for furnishing such materials, supplies or equipment to any department of the City, unless the Board of Supervisors shall by a two-thirds vote remove such disqualification.

Section 6. Notices inviting sealed competitive bids under the conditions of the preceding section and calling for an expenditure in excess of One Thousand ($1000) Dollars, must be published for at least two (2) days in the official paper and at least five (5) calendar days must intervene between the date of last publication and the time for filing such sealed bids or proposals. It shall not be necessary for such notices to state other than in general terms the conditions of the proposed award.

Section 7. In case of emergency, departments may make emergency purchases with the consent of, and in accordance with the rules established by the Purchaser of Supplies, but no such purchase shall be in greater amount than Twenty-five ($25.00) Dollars.

Section 8. The Purchaser of Supplies shall require monthly reports of stores on hand in the various departments and bureaus, and may fill orders of one department or bureau by the transfer of surplus stores of another department or bureau, and shall make proper accounting of the values so transferred.

The Purchaser of Supplies may provide for the creation of a store, or stores, to be under his general direction, supervision and control. Materials, supplies and equipment may be placed in the store, or stores, so created, as the Purchaser of Supplies may determine, shall be issued therefrom to departments on requisition, and, whenever so furnished shall be charged to the department to which issued or delivered by transfer to the credit of the stores appropriation. No stationery furnished by the Purchaser of Supplies to any officer or department shall contain the name, or names of the officer, or officers, constituting the head of the department or board.

Section 9. The Purchaser of Supplies shall establish all rules and regulations necessary to the purposes of this ordinance and shall from time to time recommend to the Supervisors such additional measures as he shall deem expedient and the Supervisors may adopt such recommendations by Ordinance.

Section 10. The Purchaser of Supplies shall have authority to prescribe tests for the determination of the quality of all proposed purchases or deliveries, when such quality can be accurately determined by test. He shall have authority through the executive head of the department in charge thereof, to require the use of laboratory facilities of the City and the technical staff thereof for such testing of samples of proposed purchases or deliveries. Bills to cover the cost of such testing, when approved by the Purchaser of Supplies, shall be paid out of the fund of the department for whose use the materials, supplies or equipment is delivered, or is proposed to be purchased.

Passed for Printing—Board of Supervisors, San Francisco, April 30, 1923.

Ayes—Supervisors Colman, Deasy, Hayden, McGregor, McLeran, Morgan, Mulvihill, Robb, Rossi, Shannon, Welch, Wetmore.

Noes—Supervisors Hynes, McSheehy, Powers.

Absent—Supervisors Bath, Schmitz, Scott.

may1-3t J. S. DUNNIGAN, Clerk.

taxes previously levied total approximately $760,000, exclusive of interest at 7 per cent, which such final judgments carry. Writs of mandate have been applied for and were issued last year, compelling the City to pay about 20 per cent of these. Tax claims filed, but not brought to the point of final judgment, are estimated to bring the total to between $1,250,000 and $1,500,000, exclusive of interest on final judgments. The City can, if it chooses, pay only those for which the holder secures writ of mandate; and even for these can take 10 years to pay the principal and accrued interest, satisfying 10 per cent each year and paying 7 per cent interest on unpaid balances. It can also, without further evasion, now that the courts have mandated the City, pursue a more economical policy, and clean up the pending judgments out of appropriations or surpluses. Regardless of policy, it is difficult to estimate the total amount that the City will ultimately be obliged to pay. Assuming that the $760,000 represented by final judgments, plus 7 per cent interest since judgments were granted—and plus those that will be brought to final judgment—amount to only $1,000,000, and assuming that the 10-year payment plan is followed for the payment of this $1,000,000—the cost for interest will be $350,000, making a total cost to the City of $1,350,000. If probable annual surpluses are preserved and are applied against such judgments, an estimated total of $1,000,000 can be paid off in not more than four years—on the basis of an average surplus of $250,000—at a cost (including interest of 7 per cent on unpaid balances) of $1,175,000—a saving of $175,000 or $43,750 per year. The Bureau believes that this should be done, and so suggests to the Supervisors.

Centralized Budget Control. The unbusinesslike situation, wherein certain of the operating departments exercise independent expending power, has long been recognized, and officially discussed. At present the Board of Supervisors, as the central policy-making body, can exercise fiscal control over such departments only by curtailing allowances in subsequent years, for expenditures it deems out of line with general city policies. It is estimated, pending the time when the Charter can be amended to provide a "responsible executive" type of government and an executive budget, that the centralization in the Board of Supervisors of complete fiscal control, excluding only school expenditures, will save $150,000 a year. The Bureau hopes that the Supervisors, in considering the proposed budget, will consider this situation and provide for the first steps toward the Charter amendment that would be required to effect such change.

Salary Standardization. The Bureau believes that the adoption of proper salary standardization procedure to cover municipal compensations will do much toward improving the service and the esprit of the personnel, and will also be productive of economy on a large scale. At present, salaries for most of the general departments are determined by two supervisorial committees as a result of hearings. Salaries for four other depart-

ments are fixed independently of each other, and of the scale established for other departments by the Supervisors. The situation forces the use of political methods and the securing of influential support by individual employees, and by groups of employees, whose principal necessity for organization is dictated by our present haphazard salary fixing procedure. The policy has gradually developed in the city service, of paying the great mass of subordinate employees in excess of standard rates in outside employment. The use in city service of boys or young men at low pay for messenger service or minor office work is unknown; the assignment of adults for such work has tended to force the payment of salaries entirely out of proportion to the services rendered. The City uses no "unskilled laborers" at the lowest per diem rate. The constant tendency is, by classification or change of title, sometimes supported by legal action, to develop higher wages than the services warrant. It is our understanding that the large number of employees retired under the new pension system have been replaced man for man, although the principal argument by departmental officials for such a system was that it would, in a humane manner, dispose of superannuated employees who were practically pensioned as an operating charge. Classification and standardization would tend to obviate these conditions. It is the hope of the Bureau that the Supervisors will be sufficiently impressed with the importance of employment classification and salary standardization to make provision for the first steps toward the necessary Charter amendment required to bring this about.

Budget Procedure. The Bureau believes that the City's budget procedure can be materially improved if the proposals enumerated in the following should be adopted. Some of these would require legislative action and others could be developed as a matter of procedure. For the budget now under consideration by your Board, it is suggested that a statement of expected revenues to fund the budget be included as a necessary complement to the appropriations decided upon; and that formal procedure for the appropriation of surpluses be recommended. For future budgets it is suggested that estimates be required from departments in accordance with departmental units, such as for each school, police company, fire company, playground, park, library, etc., for intelligent consideration of the estimates submitted; that budget estimates be required for self-supporting projects, such as side-sewer work, Auditorium, Municipal Railway, etc., and for expenditures to be made from bond funds and the County Road Fund; that detailed estimates be required for the appropriations that are placed under the control of the Board of Supervisors, such as debt charges, street reconstruction, street lighting, etc. The Bureau also believes that budget information would be enhanced and the public interest more properly served if tabulations of requests, in comparison with expenditures of preceding years, are published in appropriate form, with due regard for compactness, and if the same sort of publication is later made of the Finance Committee's recommendations relative to such requests.

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The City

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Vol. III June, 1923 No. 6

The Hetch Hetchy Power Problem

Annual Bureau Membership Meeting

Expenditure of Hetch Hetchy Receipts

Important Municipal Events

Governmental Research Conference

Issued by

San Francisco

Bureau of Governmental Research

58 Sutter Street San Francisco, California

The City

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San Francisco Bureau *of* Governmental Research

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The Hetch Hetchy Power Problem

The matter of deciding the policy to be pursued in connection with the disposal of Hetch Hetchy power was considered by the Public Utilities Committee of the Board of Supervisors on Wednesday, June 13th. The committee came to the conclusion that it did not have sufficient data from which to form a definite opinion, and decided to continue the hearings at its regular weekly meetings. The committee has before it a resolution introduced by Supervisor Schmitz, declaring it to be the policy of the City to distribute this power to consumers through municipal channels. It also has before it a report of the City Engineer, in which he points out that there are three alternative plans to be considered: (1) municipal distribution, (2) sale at wholesale to some public service corporation, and (3), the City to enter into an agreement with some public service corporation under which the latter, acting as agent for the City, would distribute the power. The Engineer states that before complying with the request of the Public Utilities Committee for a definite recommendation as to the policy to be followed, the City should learn what terms the power companies will agree to if it should be decided to market the electrical energy through them, and whether the Railroad Commission would approve the terms of such an agreement. In his report the Engineer says, in part: "If satisfactory terms can be obtained it may prove the better policy to make temporary arrangements for distribution of the power through privately owned channels and devote our finances and construction forces to the completion of the water supply end of the project."

The Bureau has not as yet completed a technical analysis of the subject,

but, in the light of the information it has to date, it believes that distribution of this power by the City, at least for some time, is not advisable. It is considered imperative that the Hetch Hetchy system be placed on an income producing basis at the earliest possible moment, in order that the heavy tax burden occasioned by debt charges may be lightened. Bond interest and redemption charges on this project will amount to approximately $2,300,000 net for the next fiscal year, about 36 cents on the tax rate, and will increase as idle bond funds available for reinvestment decrease. To July 1, 1924, the total interest charges will amount to approximately $7,000,000.

According to the report of the City Engineer, the power from the Moccasin Creek power house will be available in November, 1924. It would probably be impossible in the remaining eighteen months for the City to finance and construct the necessary sub-stations, build a transmission line to San Francisco, acquire a distributing system, and acquire or construct a steam standby plant.

The City is within $9,000,000 of the limit of its bonded indebtedness, under official interpretation, and within $29,000,000 under the broadest interpretation of the laws. The acquisition of a distribution system to cost $17,000,000, and perhaps a much larger sum, at this time, would practically exhaust the City's credit and would imperil other improvements to which the City is committed. The City Engineer has pointed out the need of an additional $30,000,000 to complete the construction of the Hetch Hetchy water system. The Railroad Commission fixes the price of approximately $38,000,000 for Spring Valley, and other possible large amounts for Municipal Railway extensions and traffic development will be needed.

To duplicate the present privately-owned distributing systems in San Francisco would be an economic waste, which, in our opinion, would, and should, never be countenanced by the people. Such duplication would probably bring about ruinous competition between the City and the private companies, and the necessary tearing up of streets incidental to such construction would put the citizens and business firms of San Francisco to great and unnecessary inconvenience.

There is before the Public Utilities Committee a proposal that the City use $10,000,000 of Hetch Hetchy funds for the purchase of the Great Western Power Company's distribution system and the acquisition or construction of a steam standby plant, sub-stations and transmission lines; acquire the Pacific Gas and Electric Company's contract for supplying power to the Market Street Railway Company and also supply the municipal wants.

As to the use of $10,000,000 of Hetch Hetchy bond funds, figures from the City Engineer's office show that on June 15, 1923, there was an un-

expended balance of $10,284,000 in this fund and also $5,281,000 of unsold bonds, a total of $15,565,000, and that of this approximately $5,500,000 is encumbered by contracts awarded, leaving $10,065,000 available. Therefore, if $10,000,000 were taken to provide for a distributing system for Hetch Hetchy power, a balance of only $65,000 would be available for construction work other than that now covered by contracts, and would necessitate the closing down of this work almost immediately, and until other funds are provided. The Engineer estimates that to carry on the Hetch Hetchy program to December 31, 1924, will require the expenditure of $12,400,000 of the $15,565,000 now available.

The Pacific Gas and Electric Company's contract with the Market Street Railway Company has many years yet to run, and it seems hardly possible that the City, if it became a competitor of the private company, could induce the private company to turn its contract with the Market Street Railway Company over to the City.

According to the City Engineer's report, the Moccasin Creek plant will produce annually 270,000,000 k. w. h. in San Francisco; the Municipal Railway uses approximately 30,000,000 k. w. h.; approximately 7,000,000 k. w. h. are necessary for street lighting and other municipal purposes; and the Great Western Power Company's sales in San Francisco approximate 62,000,000 k. w. h. Therefore, under this proposal, disregarding the contract with the Market Street Railway Company on account of the uncertainty of obtaining it, there would still be 171,000,000 k. w. h., or 63 per cent of the total output of the Moccasin Creek plant, to be disposed of by some other method.

Annual Bureau Membership Meeting

The annual dinner meeting of the membership of the Bureau was held in the Italian Room of the St. Francis Hotel on the evening of June 6th. One hundred and forty were in attendance.

Mr. Bruce Cornwall, chairman of the Board of Trustees, presided, and rendered a report on the affairs of the Bureau. He reviewed the background of municipal research and the history of the Bureau from its formation in October, 1916, when it had a membership of 100, and pointed out that the membership on May 1, 1923, had increased to 481, an increase of 72 per cent over last year. In discussing the broad general results achieved during Bureau operation, the chairman referred to direct financial savings secured through budget and tax rate studies, amounting to approximately 20 cents in taxes; the better expenditure of funds through reorganization, motorization, the use of mechanical equipment, etc., as instanced in the installation of the two platoon system in the Fire Department, at an increased cost of $48,000, when it had been estimated that between $250,000 and $500,000 would be required for this purpose;

scientific analysis and revision of miscellaneous revenues and the installation of a businesslike accounting system, improved budget procedure, up-to-date purchasing methods, etc., which might or might not show direct financial savings.

As to the future, the chairman said the most important need is for city government reorganization; that under the present system the Mayor and 18 Supervisors are joint heads, with principal adminstrative power vested in the Finance Committee of three Supervisors, and with 13 elective officials, largely independent, and with independent powers vested in commissions heading six of the largest administrative departments; that there is tremendous power, without clearly defined and unmistakable responsibility; and that 55 officials are elected by the people, each entirely independent of any control other than the ballot. He pointed out that reorganization involves charter revision, and that we should have a responsible executive (where the chief executive is the executive in fact as well as in name) or a city manager (where the executive is appointed as an administrative expert).

Director William H. Nanry touched briefly on recent Bureau operations, and on the program for the present and the immediate future. Among the most recent and important activities of the Bureau, he said, were:

Securing adoption of a charter amendment and an ordinance establishing sound, businesslike purchasing procedure.

Study of Municipal Railway finances as affected by the program for extensions of the municipal car lines.

Study of cost of living with relation to request for wage increases.

Analysis of report of railway platform men, which endeavored to prove that $300,000 increase in wages could be paid without detriment to railway finances.

Analysis of departmental requests and Finance Committee recommendations on the recent budget.

Opposition to five attempts to undermine fundamental principles of the retirement law.

Drafts of Charter amendments to bring about scientific salary standardization and to take utility operation out of politics by the creation of a Public Utilities Commission.

Analysis of school building needs and the urging of a pay-as-you-go policy.

Analysis of Market Street Railway purchase proposal.

Analysis of Municipal Railway financial reports and balance sheet.

Analysis and support of last year's tax rate.

Analysis of the City's bonded debt, which had become of predominating importance in the matter of determining policy on Hetch Hetchy power disposal.

Detailed analysis of Charter defects.

Analysis of San Francisco's tax rate, in comparison with that of other

cities, indicating that for each $100 of actual valuation the San Francisco rate is the lowest among the large cities in the country.

Analysis of the 53 measures appearing on the November ballot.

As to the immediate program and studies now in work, the Director referred to the following:

Study of the City's population distribution and trends, at the request of the Board of Education, to be used in connection with the formulation of a scientific plan for school expansion.

Co-operation with newly-appointed purchaser of supplies, and assistance in setting up purchasing procedure, devising forms and other necessary details.

Study of factors involved in the disposal of Hetch Hetchy power.

Study of Police Department methods and procedure, which will progress into a survey of all agencies dealing with crime.

An outline of the improvements San Francisco needs, and to many of which the City is already committed, for the purpose of bringing about a definite program to extend over a term of years, for financing and securing them at a minimum cost, roughly estimated as approximately $125,000,000.

Methods of conserving surpluses created each year when the tax rate is fixed—which have been taken up with the Finance Committee and promise satisfactory results.

Details of improving the City's budget procedure and other miscellaneous matters, including analysis and charting of four standard forms of municipal government, studies of special assessments, street cleaning and charter revision.

He said the Bureau's future program included a study of the Health Department Central Office, which covers all the statistical and inspectional activities; a study of city revenues; further efforts to bring about the motorization of the Board of Public Works hauling units or the installation of a bunker system to reduce the average length of team haul; an actuarial analysis of the police and fire pension system to place these on a sound financial basis; co-operation with some of the Supervisors to bring about scientific salary standardization procedure, which will remove a potent cause for discontent among the City employees and will probably result in large savings; the preparation of laws to bring about centralized budget control, which would more directly fix responsibility for the City's financial policy and would be productive of large savings; and a study, at the request of one of the Supervisors, of the methods and cost of a scientific revaluation of all real property and improvements on the assessment roll.

Commendation and promises of general co-operation and support from their respective organizations were voiced by Mr. H. B. Allen, president of the San Francisco Real Estate Board; the Honorable William H. Waste, president of the Commonwealth Club of California, and Mr. Colbert Coldwell, president of the Chamber of Commerce. Mr. William H.

Crocker, a trustee and one of the original organizers of the Bureau, told of its humble beginning, its steady growth and its accomplishments, and Professor Samuel C. May, of the Department of Public Administration, University of California, in an intensely interesting and instructive manner, spoke upon the relation of research to good government.

Many letters have been received congratulating the Bureau on the very evident success of the meeting. The trustees anticipate a growing interest and development from each annual gathering of the future.

Expenditure of Hetch Hetchy Receipts

The Finance Committee, in its 1923-24 budget report to the Supervisors, said that by using a portion of the accumulated revenues of the Hetch Hetchy railroad and power plant in payment of interest on outstanding bonds of the Hetch Hetchy project, it had been possible to recommend a $3.47 tax rate for 1923-24—the same as the present rate. Receipts from this source amount to approximately $750,000 at the present time. The cost of operation has been met out of bond funds, and the total amount of receipts is not sufficient to cover that cost. There is a question as to the legality of this procedure, as the Charter provides that receipts from the operation of a city owned public utility may be appropriated "(a) for the payment of the operating expenses of such utility, (b) for repairs and reconstruction, (c) for payment of interest and sinking fund on the bonds issued for the acquisition or construction of such utility," etc., and the City Attorney's office has ruled verbally, relative to Municipal Railway funds, that the order as specified in the Charter governs the precedence in which such receipts may be used. The question is a technical one, however, and, save for the legal point, it seems practical and reasonable that this money should be applied to bond redemption, thereby reducing the amount necessary to be raised by taxation this year. While it is impossible at this time to determine accurately what part of this money the Supervisors will find it necessary to use to keep from increasing the present tax rate, the Bureau estimates something over $600,000 will be required. If, therefore, it is determined that such use is illegal, it will mean a probable 10-cent increase in the rate.

Important Municipal Events

Municipal Railway Extensions. Mayor's veto of ordinance authorizing agreement with the Market Street Railway Company for the use of its tracks on Masonic Avenue, in connection with Municipal Railway extension, was sustained by Supervisors June 4th. Repeal of ordinance ordering construction of Masonic Avenue extension will be considered at Public Utilities Committee meeting June 27th.

City Purchasing. Ordinance providing for sound, businesslike pur-

chasing of City's supplies was finally passed by the Supervisors May 14th, signed by the Mayor May 18th, and became effective ten days later.

Mint Avenue Fire House. Proposal from Hale Brothers to lease from the City, for a period of 20 years, property on Mint Avenue, and to construct thereon an eight-story building; ground floor, second floor and part of basement to be used by Fire Department without cost except for inside finishing, and entire building to revert to City at expiration of lease. Proposition approved by Fire Commission, and transfer of fire company on O'Farrell Street to Mint Avenue location contemplated. Supervisors June 18th directed clerk to advertise for bids on lease.

Lower Market Street Raising. Supervisors have requested a report from City Engineer on probable expenditures to be imposed on property owners incidental to raising of railway tracks and street surface to official grade on lower Market Street. It has been stated that it will be necessary to raise certain of the buildings, some as much as 20 inches, and that the cost of this may amount to a million dollars or more.

County Road Fund. San Francisco expects to receive from the State $700,000 as its share of this year's automobile licenses and the new State gasoline taxes, approximately double the amount received last year from auto licenses alone. The Supervisors plan to expend the major portion of this sum for the east side highway, San Mateo County, and for the completion of the Market Street extension.

Governmental Research Conference

Word has been received from Director Nanry, who left June 9th to attend the Governmental Research Conference at Minneapolis, indicating that the meeting was a most instructive and successful one. Twenty Research Bureaus were represented, and future meetings will be held in conjunction with the National Municipal League. Major discussion included Bureau problems, the Butte plan of city and county consolidation, the simplification of county government, and the organization of a National Bureau to co-ordinate information and make surveys in cities and counties where there are no local research bureaus. The Executive Committee of the Research Conference is to co-operate with the National Association of Real Estate Boards in promoting the organization of independent Research Bureaus where such bureaus are needed.

Mr. Nanry reports that city manager charters for Minneapolis and St. Paul are being drafted by Dr. Hatton, who prepared the new charter recently adopted by the City of Cleveland.

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The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. III July, 1923 No. 7

A $125,000,000 Improvement Program

The Hetch Hetchy Power Problem

Uncientific Salary Fixing

Important Municipal Events

Issued by

San Francisco

Bureau of Governmental Research

58 Sutter Street San Francisco, California

The City

Issued monthly by the

San Francisco Bureau *of* Governmental Research

"An incorporated non-partisan citizens' agency to study public business, co-operate with officials and specifically work for economy and efficiency in municipal affairs."

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A $125,000,000 Improvement Program

Under date of July 5th, the Bureau proposed to the Board of Supervisors and to the Mayor the desirability of outlining a program for bringing about the many improvements to which the community is practically committed. A rough total of these indicates a probable minimum expenditure of $125,000,000. Included among the projects considered are the acquisition of the Spring Valley water system, the completion of the Hetch Hetchy water system, the Market Street Railway purchase, Municipal Railway extensions, the Bernal Cut, the completion of the Civic Center, the Live Stock Exposition building, Rincon Hill regrade, Van Ness Avenue opening, new schools required for expansion, a new Health Department building, additional parks and playgrounds, parkways across the Richmond and Sunset districts, street reconstruction, the completion of our boulevard system, the construction of main sewers, etc.

Recollection of the difficulties of securing improvements that have been or are being developed, indicates that in most cases the initial steps and momentum have been supplied by unofficial agencies. The community is not a unit with regard to the need or the desirability of all of these improvements touched upon above. The Bureau's proposal, however, comprehends the formation of an official committee to confer with civic organizations and interested citizens, for the purpose of determining (1) the necessity for, or the desirability of, providing for each of these things; (2) the approximate relative order in which they should be taken up; (3) the individual and aggregate cost; (4) the methods to be pursued in acquiring them; (5) the best methods of financing—pay-as-you-go, bond issues, special taxes, special

assessments, etc.; and (6) the necessity, if it exists, of Charter amendments or laws to expedite the program decided upon.

By such organized means, a definite program could be determined upon, first, under which officials, organizations and citizens would have clearly before them a development policy extending over a number of years, for the securing of necessary improvements; and second, a program outlined in consideration of *all* projects, in such manner that the necessary financing would be arranged on the most economical basis, and on a basis that would not be burdensome to taxpayers.

From the Bureau's understanding of community problems, the need for at least some of these improvements is paramount. For such improvements as are, and have long been vitally needed, there is a definite loss to San Francisco for the years that these have been, and continue to be deferred. To cite two of the most prominent pending improvements—the East Side Highway and new schools—all will agree that the lack of these has contributed—and until solved, will continue to contribute—to holding San Francisco back. The Bureau believes the determination of a sound financial program to meet our improvement needs, is one of the most important measures that could be taken for the advancement of San Francisco.

The Hetchy Hetchy Power Problem

As this issue goes to press, the business of solving the Hetch Hetchy power problem has progressed but little beyond the status discussed in the June issue of THE CITY. Six committee hearings have been scheduled, at most of which the interested public reiterated its views; in addition, the matter has been up for discussion at four meetings of the Board of Supervisors. Action has not been taken to start getting the information required for a proper consideration of the question on its merits, and without which a logical solution, based on complete fiscal, engineering and legal data, can not be arrived at.

Four supervisorial resolutions are now before the committee, as well as a number of communications from various organizations, including majority and minority reports of a committee of one of the civic bodies. It will be recalled that the subject-matter was first brought up last February by the Schmitz resolution, which provides for a policy of municipal distribution to consumers. The Utilities Committee then requested a report from the City Engineer as a basis for properly considering the Schmitz resolution. This report, under date of April 4th, touched upon the power provisions of the Raker Bill; the present work program; the power "crop," in relation to the power needs of San Francisco; the probable cost of delivering power to Newark; the necessity and probable cost of completing Hetch Hetchy as a water project; and the four factors of (1) constructing or (2) acquiring a distributing system, (3) selling the power at wholesale, or (4) agreement with an existing company, as the City's agent, for

distributing the power. The report concluded with a recommendation that, before making a recommendation as to the policy to be followed, "we learn what terms the power companies will agree to if it should be decided to market our electric energy through them, and whether the Railroad Commission will acquiesce. . . ."

Hearing on the report was postponed from time to time, due to lack of a quorum, but was finally held on May 9th. The next hearing, after other postponements, was held on June 13th, at which time a report from a committee of the Civic League was filed, recommending municipal distribution by acquiring the Great Western Power system, and the taking over of the P. G. & E. contract with the Market Street Railway Company. On June 18th the McSheehy resolution was introduced; this provides for municipal distribution and would appropriate $5,000,000 of Hetch Hetchy bond funds for acquiring a local distributing system. Further committee hearings were held on June 20th, 28th, and July 5th.

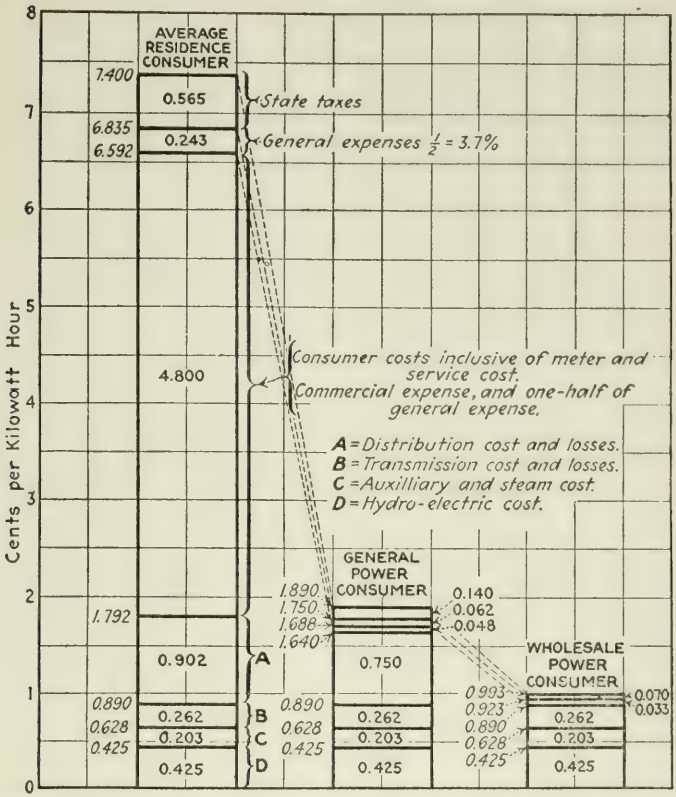
At the Supervisors' meeting of July 9th, a motion to take the subject-matter from committee and to consider it by the entire Board was voted down. On July 16th, the Hynes resolution, providing for municipal distribution, was introduced, and also the Shannon resolution. The latter directs the City Engineer to secure information on (1) the rates the power companies would pay for the power, wholesale; (2) their valuation on such parts of their systems as might be designated by the City Engineer as desirable for municipal acquisition; (3) whether they would sell to the City on the pay-out-of-earnings basis, and what options they would agree to; and (4) the cost of constructing a municipal system.

On July 18th the Utilities Committee lacked a quorum. The two members present recommended that the subject-matter be taken up by the whole Board, but later failed to secure agreement of the necessary third member. At the meeting of the Board on July 23rd, a motion to withdraw the McSheehy resolution from committee and have this considered by the Board was voted down. On July 26th at a hearing before the full committee, it was decided to consider the matter in executive session on July 27th, and to report to the Board on July 30th.

The majority of those who have appeared before the committee—representatives of labor and civic organizations—have urged municipal distribution. Others, including the City Engineer, the special Hetch Hetchy counsel, and representatives of the Bureau, Real Estate Board, Civic League and Chamber of Commerce, have urged the necessity of acquiring information before determining the matter of policy. The Down Town Association expressed its opposition to municipal distribution on the grounds that this would prevent the early completion of Hetch Hetchy as a water project. It might be mentioned in passing that the policy of the Bureau of Governmental Research has always been to concern itself not at all with the question of public or private ownership of local utilities, but only with

RANGE IN ELECTRIC RATES

Showing factors that make up rates for wholesale, general and residential use and the "spread" between these rates. (Based on 1922 rates which have since been reduced.)



COMPARISON OF COST OF SERVICE TO DIFFERENT CONSUMERS

The average cost per kilowatt-hour at different points of delivery on one of the large electric utilities in California as determined in a recent rate proceeding is illuminating from the standpoint of showing the variation in cost of energy from the hydro-electric plant to the retail consumer. The chart sets forth an analysis of the average cost per kilowatt-hour of power delivered. In the average costs are included the operating expenses, depreciation and return on investment of each part of the system considered. No segregation between demand or energy costs is made, the average costs per kilowatt-hour being shown. It is to be noted that the average cost of energy delivered from hydro-electric plants is 4.25 mills per kilowatt-hour; that to guarantee continuous service and supply that proportion of the power not available from hydro-electric plants in dry years the cost is increased to 6.28 mills per kilowatt-hour to cover interest, depreciation and operation of auxiliary steam plants. Transmission costs and losses bring the cost to 8.9 mills at the main transmission sub-stations. When general expense and taxes are added the average cost of power delivered from the sub-stations increases to practically 1c per kilowatt-hour. The cost per kilowatt-hour is practically doubled in distributing from the sub-station to the average agricultural or industrial consumer having approximately 20 horsepower installed. The cost of energy to the domestic lighting consumer is largely in the local distribution and commercial costs owing to the retail nature of his use. Interest, depreciation and maintenance of the service and meter, handling of consumers' accounts and general expense chargeable to consumers' costs are a material item in the large increase in average cost from sub-station to consumer.

Reprinted from article in Journal of Electricity and Western Industry (July 15, 1922), written by Lester S. Ready, Chief Engineer, California Railroad Commission.

the questions of service or cost or both, regardless of how the particular utility under consideration might be owned.

The Bureau is attempting, as rapidly as its staff facilities will permit, to develop its own technical and fiscal information on the subject, as a basis for arriving at a sound conclusion based on the facts of the case. Until such information is developed, either by the Bureau or other organizations, or is made available by official investigation of the City Engineer's office, as has been repeatedly urged by the Bureau, there is no possibility of the Bureau, the Committee, the Supervisors, or any other organization, arriving at a conclusion as to policy that will amount to more than a guess.

Much misinformation has been developed in the several discussions of the matter. The project is one of tremendous magnitude, requiring the most careful consideration on the part of officials and the public as to the finances—both capital expenditures and rates—involved. The City Engineer estimates a capital investment of $18,000,000 to bring the power to Newark, and further states that the cost of a local distributing system (based on 1915-1919 price levels) would be *not less than* $17,000,000. With present higher price levels and with the greater accuracy of an engineering valuation, this figure would probably be materially increased.

The fallacy has been developed in the discussions, of comparing the rate of 8.824 mills—estimated by the City Engineer as the necessary charge per k. w. h., at Newark, to return a 10 per cent profit to the City—with the existing rates for residence use of power. An analysis last year by Lester S. Ready, of the State Railroad Commission, of the basis for the then-existing electric rates, which is reprinted here from the Journal of Electricity, shows an average rate to the wholesale consumer of 9.93 *mills,* including State taxes; a rate to the general consumer of 1.89c, including State taxes; and a rate to the average residence consumer of 7.74c, including State taxes. The principal part of the whole difference is 4.8c for consumers' cost and commercial expenses incidental to the retail distribution of power.

One argument in the earlier discussions was that by the expenditure of an additional $1,350,000 the power can be used for Municipal Railway, street lighting and all other municipal purposes, and thus the $800,000 now expended annually for such power will become clear profit. The additional expenditure spoken of is only sufficient for taking over existing plant used in delivering Municipal Railway power, for which last year we paid $370,000, at a rate of 1.17c per k. w. h., and which would consume only one-seventh of the Moccasin Creek output. It should be apparent, of course, that the profit, *if any,* would be the difference between the present rate of 1.17c and the rate that the City would have to charge. With a cost of power at Newark of 8.824 mills, plus the cost of carrying the power from Newark to San Francisco, and plus the cost of operating

sub-stations for actually delivering power to the municipal lines, there may be a question as to profit.

The whole problem is one demanding the careful consideration of all information that can be secured. It is to be hoped that action to secure such information will be taken at the earliest possible date, and that no attempt will be made to fix a policy until after compilation and analysis of all available information, upon which any policy must be founded.

Unscientific Salary Fixing

The annual salary ordinance was passed to print by the Board of Supervisors on July 23rd by a vote of 14 to 1. The ordinance, introduced by the Finance Committee, incorporated the increases allowed in the current budget, enacted last May. Under the Charter, "additional positions" must be recommended by the Mayor and approved by 14 votes of the Board. To authorize compensation for "additional positions" (not enumerated in the Charter), and to provide some legal basis for compensations in excess of those fixed by Charter, these are specified under the Charter "additional positions" provision.

When the ordinance was considered on July 23rd, a number of amendments were offered, designed to increase the salaries of 164 employees by an aggregate of $26,832. Only 10 votes are required to amend the ordinance, but 14 votes are required for passing it. It was stated that the Finance Committee would oppose the amendments, which, with only 15 members present, would have prevented adoption. When the first amendment was voted down, a motion prevailed to refer all proposed amendments to the joint Finance and Salary Standardization Committees.

The Auditor appeared in opposition to an increase of $900, proposed by the Finance Committee for the Auditor's Chief Clerk, on the grounds that he had not been consulted, and that the proposed increase would overlook other efficient employees and would thus disrupt the morale of his office. A motion to distribute the $900 increase among five employees of his office was voted down, following which a motion to withdraw the proposed increase was carried.

Just as at budget making time, the Board is compelled to consider a large number of increases without complete knowledge of the duties of and ability required for the various positions, their relation to other positions and the relation of salaries proposed to other city compensations. As has been previously pointed out in these columns, the procedure is inexact and inequitable; it tends to disrupt the morale of city forces by producing inequalities of compensation; it is productive of political methods for securing compensation increases; and it tends to disrupt proper disciplinary control that might otherwise be exercised by department heads.

The point has often been made that many of the salaries provided in the salary ordinance are illegal, in that these are definitely fixed by Charter.

The continual pressure to have such salaries still further increased may yet result in court action to have the legality of these determined. A finding of illegality would practically force the amendment of the Charter to relieve the situation and provide for a sound and scientific basis of fixing compensations.

The fixing of salaries and wages should be removed from the political field, by providing for classification and grading of municipal employments; the determination of compensation for classes, divisions and groups according to duties, ability required, experience and other factors; and the operation of such a classification and standardization procedure by either the Civil Service Commission or a board on which employees, department heads and qualified citizens would be represented.

The Bureau has offered its services to the Salary Standardization Committee for the development of proper statistical and personnel data, and for the development of a proper classification and standardization procedure for the City. The task is a voluminous one; if it were taken up immediately, it would probably be impossible to collect and compile the necessary data in time for the next budget, nine months hence. There are also obstacles toward making the scheme general for the entire city service, by reason of Charter specifications as to salaries for a large number of the municipal personnel, and Charter specifications which grant independent salary-fixing powers to several of the boards and commissions.

Important Municipal Events

Municipal Railway Extensions. Asst. City Eng'r advised Supervisors July 18th that plans and specifications for purchase of materials for Ocean View extension are expected to come before Supervisors in August. On July 9th, Supervisor Schmitz advised Supervisors that the present Harbor Commission will agree to pay not to exceed $18,000 per year toward the expected operating deficit of Embarcadero bus line, provided that no transfer privileges are granted; ordinance authorizing the advertising for bids for auto buses pending before Utilities Committee. City Eng'r reported to Supervisors July 23rd, opposing request for through service on Taraval St. line, on basis that present service west from Twin Peaks tunnel is being operated at a daily loss of $140. Hearing on Duboce Avenue tunnel is scheduled to come up August 13th. No further hearing as yet on question of sound financing of proposed extensions, raised by the Bureau and heard by the Utilities Committee March 7th; this referred to joint Finance and Utilities Committees for hearing March 16th, postponed several times, and then laid over until completion of budget.

East Side Highway. Supervisors, July 2nd, appropriated $250,000 to State Highway Commission from Good Roads Fund, and pledged an additional $250,000. By resolution, San Mateo County was requested to

co-operate and appropriate such funds as would be equitable. Estimated cost of first section, from South San Francisco to San Mateo, $1,300,000.

Ferry Loop. Harbor Commission, July 2nd, requested City co-operation in financing a vehicular subway under the Ferry loop; estimated cost $424,000, to be divided: State, one-half, City and Market Street Railway each one-quarter. To Streets Committee.

Leases of City Property. Supervisors, July 16th, leased War Memorial property at McAllister and Van Ness for five years to Standard Oil Company, the only bidder, at an average rental of $150 per month, with provision that any improvements be removed at end of lease, or at any time upon thirty days' notice. Also leased property on Stevenson, between Fifth and Sixth, to Hale Brothers for twenty years for $1 a month, lessee to construct an eight-story building, the first and second floors to be for Fire Department use free of charge, and entire building to revert to the City at the end of lease.

Wage Increases. Finance Committee, July 20th, filed Board of Public Works request for additional $63,472, required to pay the $5.50 wage for laborers (budget rate, $5.00). Finance Committee stated that if the Board paid the higher rate, it would have to provide the money out of its own funds by reducing the force employed, and recommended that such reduction be made applicable for the entire year, to avoid having to lay off large numbers of men toward the end of the fiscal year.

Fire Prevention. Chamber of Commerce and other organizations, June 25th, urged Supervisors to appropriate $45,000 to add twelve men to the Fire Prevention Bureau and restore ten men to the theatre detail, abolished several years ago. To Finance and Fire Committees.

Assessment Roll. Assessor, July 2nd, reported a non-operative assessment roll, available for taxation for city purposes, of $639,005,320. Supervisors completed their work as a Board of Equalization. The roll, when checked and certified by the Auditor, becomes, together with the miscellaneous revenue estimates, the basis for the new tax rate.

Police Control. Supervisors, July 23rd, voted down a resolution requesting Mayor, by executive order, to direct Police Commission to add to vacation periods of police officers, six days-off lost on account of two-man patrol system effective during winter months. Chief of Police appeared before Supervisors and objected to interference by Board in police matters, stating this affected morale of department, that double patrol system was installed for protection of men, without thought of repayment for lost days-off, but that such lost time would be repaid as police conditions permitted.

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Progress on Hetch Hetchy Power

The 1923-24 Tax Rate
discussing also
Surpluses and Debts

A New Plan for Sunset Transportation
discussing also
Lack of Funds for Railway Extensions

More Brakes Than Driving Power

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Progress on Hetch Hetchy Power

The Board of Supervisors, on July 30th, on the recommendation of the Public Utilities Committee, adopted the so-called Schmitz and Shannon resolutions relative to Hetch Hetchy power. The Schmitz resolution establishes the policy, "not only of bringing the electric power into San Francisco, but also for the establishing of a distributing plant by the City for the purpose of distributing to the consumers the power so generated and brought into the City."

The Shannon resolution directs the City Engineer to ascertain and report to the Board within 30 days: (1) The terms under which the Hetch Hetchy electrical energy could be marketed through the agency of existing corporations for not to exceed ten years; (2) the price at which either private corporation would sell to the City such portion of its distributing system, including steam standby services, as the City Engineer may deem adapted for municipal distribution of electrical energy; (3) the period for which either corporation would be willing to grant a purchase option to the City; (4) whether either corporation would sell its distributing system and standby plant on the pay-as-you-go plan, and on what terms; and (5) an itemized estimate of the cost of building a complete distributing and standby system, independently of existing plants.

The committee report stated that the McSheehy resolution, designed to appropriate $5,000,000 of Hetch Hetchy funds for a municipal distributing system had been referred to the City Attorney on points of legality raised by the Bureau.

The report of the committee to the Board stressed the point that in adopting the Schmitz resolution the Board was simply reaffirming its support of the Charter provisions relative to municipal ownership of utilities. The report stated that the committee had no desire to act hastily, and must have the information called for by the Shannon resolution before definitely committing the City to specific action or expenditure.

In the opinion of the Bureau, expressed both before the Utilities Committee and before the Board when the two resolutions were adopted, the resolutions were conflicting: If the Board adopted the policy of municipal distribution of power, most of the information called for in the Shannon resolution would be valueless; and, conversely, if additional information was required, it was premature to declare a definite policy. The committee and the Board of Supervisors evidently did not hold to this belief, and the resolutions were adopted.

An amendment to the Schmitz resolution, declaring the Board as unalterably opposed to the sale of power for redistribution through private agencies, was voted down. It was pointed out by the Utilities Committee chairman that the Bureau had informed the committee that only $3,100,000 was available in the Hetch Hetchy fund, and that it would probably be illegal to use this for a local distributing system. It was stated that municipal distribution would require a bond issue, and, should the people fail to give the necessary two-thirds affirmative vote, the only course open to the City would be closed if the amendment was adopted.

The matter is now in the hands of the City Engineer. His report is presumably in course of preparation, and will probably be before the Supervisors on August 27th, or a week later, September 3rd. At that time, with specific information before the Board, the matter of policy and specific plans must be determined.

The 1923-24 Tax Rate

Not later than Saturday, September 8th, the Board of Supervisors must pass to print the tax rate ordinance, to levy the amount of taxes necessary to fund the current fiscal year's budget. The Finance Committee's report, submitted August 27th, provides a $3.47 rate. The proposed ordinance is made up of 38 component rates, aggregating $3.47; the report carries no supporting data as to the several amounts to be levied, the amounts of revenue from sources other than the tax levy, and other revenue data that would seem absolutely essential for the fixing of a tax rate.

These data seem of particular importance this year. The Bureau's analysis of ascertainable factors affecting the tax rate raises the question as to the source of over $460,000 which must be available to permit of a $3.47 rate. Surpluses may be available from the last fiscal year, or it may

be intended to draw on the Hetch Hetchy Operative Revenue fund, as anticipated by the Finance Committee in its budget report.

The Bureau has frequently urged the inclusion in the budget of a statement of anticipated revenues. A budget should be both an expenditure program *and* a statement of revenues to meet such expenses. The latter is more important than the former; if revenues are limited, expenses must necessarily be curtailed to conform to income. Good business policy would dictate that the expenditure program be not settled without consideration of revenues. Furthermore, a statement of revenues and the sources thereof should be a matter of public information.

The accompanying statement shows the detail of the Bureau's estimate. The budget did not provide in full for bond interest and redemption, the Finance Committee's budget report stating that part of "Hetch Hetchy Operative Revenues" would be used to pay these. The Bureau has questioned whether this may legally be done. On the basis of the budget appropriation for bond interest and redemption, plus State refund on account of bonds outstanding in 1910, plus Spring Valley refund for interest on Bay Division expenditures, and plus expected income from the reinvestment of idle Hetch Hetchy bond fund balances, it is estimated that an additional $523,322 must be provided for debt charges.

Other sums in addition to the authorized budget must also be provided. One-tenth installment of tax judgments covered by court writs of mandate for which there is no budget appropriation, amounts to $101,750; this may be increased by the 7 per cent interest charge that these judgments carry. The amount of taxes that will become delinquent is estimated at $125,000 (the Finance Committee estimates do not include these, nor, on the other hand, count as revenue past delinquent taxes currently collected). The Finance Committee estimates $120,000 as an unbudgeted reserve for emergencies.

These several items total $26,578,638. Revenues other than those mentioned, and shown as applicable to debt charges, are estimated at $3,761,400 (State subventions and licenses, fees, fines, etc.). This would indicate a necessary tax levy of $22,817,238 (exclusive of any provision for 25 per cent—$340,000—of Eureka Valley tunnel cost). The proposed $3.47 rate, applied to an assessment roll of $644,180,000 will raise $22,353,066—$464,172 less than the Bureau's estimate.

The difference may be due to expected use of "Hetch Hetchy Operative Revenues" or surpluses from last year, or both. If the former, the question of legality should be settled before the tax rate is fixed. The Charter provides that the Supervisors may appropriate utility receipts for (a) operating expenses, (b) repairs and reconstruction, (c) bond interest and sinking fund, (d) extensions and improvements, and (e) reserve. The City Attorney's office has ruled, in the case of the Municipal Railway, that these provisions control the *priority* of appropriations. The revenues

Tax Levy Data

1.	Authorized Budget		$25,708,566
2.	Additional Bond Interest and Redemption:		
	(a) Auditor's Estimate (excl. of Mun. Ry.)	$5,299,768	
	(b) Less budget appropriation for int. and red.	$4,219,828	
	(c) " State refund account of 1910 debt	176,618	
	(d) " estimated reinvestment income	300,000	
	(e) " Spring Valley interest refund	80,000	523,322
3.	Additional for Tax Judgments (writs of mandate)		101,750
4.	Total		$26,333,638
5.	Miscellaneous Revenue:		
	(a) State Aid—Schools, widows and orphans, etc.	$1,707,520	
	(b) Schools—Rents and miscellaneous	110,480	
	(c) Delinquent Taxes—Redemption of property	150,000	
	(d) Licenses, fees and other misc. revenue	1,858,400	
	(e) Less pension fund, direct payments, etc.	(65,000)	3,761,400
6.	Theoretical Tax Levy		$22,572,238
7.	Plus estimated amount of tax delinquency		125,000
8.	" unbudgeted surplus—leeway for emergencies (in addition to $100,000 Urgent Nec. Fund)		120,000
9.	Estimated Amount Necessary to Levy*		*$22,817,238
10.	Actual Levy, $3.47 rate		$22,353,066

*Exclusive of use of "Hetch Hetchy Operating Fund" and of possible balances available from 1922-23.

of the Hetch Hetchy railroad have been less than operating and repair costs; practically all the revenues have been held intact in the Hetch Hetchy Operative Revenue Fund, and operating expenses have been paid from bond funds.

It may be a technical point as to whether these revenues (1) are paid into the Water Construction Fund, as a reimbursement, thus making such sums available for Hetch Hetchy expenditures; or (2) are used to pay interest on Hetch Hetchy bonds, thus reducing the tax rate. A bad situation will be created, however, if the matter is taken into court after the tax rate is fixed, and the City is enjoined from so using these funds.

If part of last year's surplus—estimated at $321,683—is available to apply as revenue toward this year's expenditures, this information has not been made public. In the past such surpluses have been expended to avoid the payment of tax judgments—which, when not appropriated for, were payable only out of surpluses. If surplus funds are available they are probably legally entailed by final judgments which have been on file for years.

It is hoped that there will be a detailed report of the revenues incidental to the proposed tax rate. It is also hoped that the Finance Committee in its next year's budget report will bring in a detailed statement of anticipated revenues, so that in fixing the expenditure program the Supervisors will be guided by complete information as to how the proposed exenditures are to be financed.

Surpluses and Debts

The sum of $120,000 allowed in the tax rate estimate as an unbudgeted surplus, with the $100,000 Urgent Necessity Fund, makes $220,000 available for emergencies. Such a surplus or reserve fund is not large in comparison with the total budget and is considered as a necessary means of

safety. Unfortunately, due to the policy of avoiding the payment of tax judgments, in the past all surpluses—amounting to $1,562,096, from 1918-19 to 1921-22, inclusive—have been expended.

It is not contended that such expenditures have been improperly made; the fact remains, however, that, although supplementing the budget, such expenditures are not appropriated with any of the official or public consideration that attends the scrutiny of the budget. The Bureau believes that too great emphasis is placed on the policy that "the budget is only an estimate"; the Bureau believes that the budget should be considered as an estimate, only as the need, possibility or cost of items therein may vary from the pre-estimated need, possibility or cost. The Bureau believes, further, that surpluses, when not required for emergencies, should be preserved as a revolving fund, or carried over to the ensuing year's revenues, or applied to wipe out tax judgments.

Last year, when the matter of tax judgments was looked into, it was found that the total of final judgments filed against the City for illegal taxes previously levied totaled approximately $760,000, exclusive of interest at 7 per cent, which such final judgments carry. Writs of mandate, applied for and issued last year, compelled the City to start paying on about 20 per cent of these. Tax claims filed, but not brought to final judgment, were estimated to bring the total to between $1,250,000 and $1,500,000.

It is difficult to estimate the total amount that the City will ultimately be obliged to pay on these. Assuming total collectible judgments, with interest, as amounting to $1,000,000, and assuming that the ten-year payment plan is followed—the cost, with interest, will be $1,350,000. If surpluses are preserved, as outlined in the foregoing, and are applied against tax judgments, an estimated total of $1,000,000 can be paid off in not more than three years at a cost of not more than $1,100,000—a saving of $250,000.

A New Plan for Sunset Transportation

On Monday, August 13th, the Board of Supervisors took up the Duboce Avenue tunnel hearing, which had been laid over from May 14th. A report from the City Engineer was read, discussing four tunnel plans proposed as alternatives to the Duboce Avenue tunnel. The report stated that each of these plans would benefit the Eureka Valley and Mission districts, but only at the expense of the Sunset district. The report recommended that the Duboce Avenue tunnel be proceeded with at this time as the most practicable means of furnishing rapid transit to the Sunset district; it also recommended that a combined railway and vehicular tunnel, or a vehicular tunnel, be driven at some future time between the Eureka Valley and the Sunset districts.

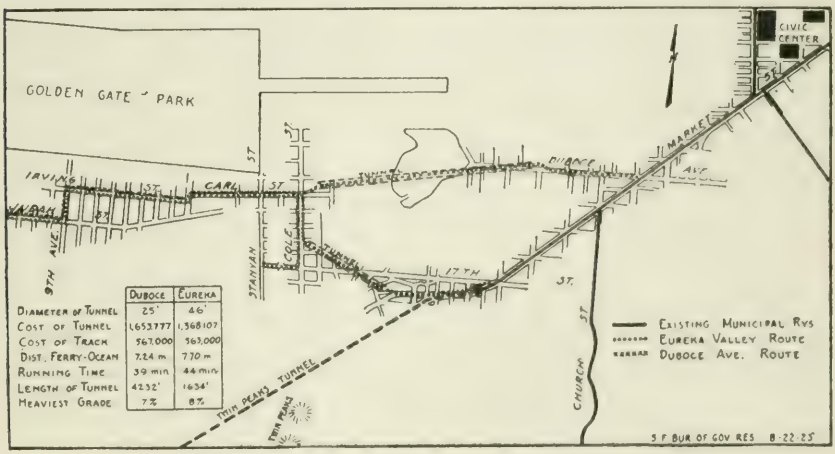
The matter was referred to the joint Utilities, Finance and Lands and Tunnels committees for hearing, with instructions to report on Monday, August 20th. The committees met on Friday, August 17th, and held an extended hearing. Following the hearing, the joint committees decided to recommend to the Board the adoption of "Scheme No. 3"—a 46-foot vehicular and railway tunnel, to cost $1,368,107, ($285,670 less than the Duboce Avenue tunnel); and, further, that the City bear 25 per cent (approximately $340,000) of the expense of the tunnel.

At the meeting of the Board on August 20th, the committees' report was filed, and, after extended debate and public discussion, was adopted by the Board. The Duboce Avenue tunnel hearing was laid over for 120 days (until December 24th); the City Engineer was directed to report on a proposed assessment district, based on the changed plan, such district to be assessed 75 per cent of the cost.

The sketch accompanying this article shows the relative location and route of the two tunnels, together with the physical and cost factors pertaining to each.

Lack of Funds for Railway Extensions

At the hearing before the joint committees on August 17th, the Bureau filed a communication, pointing out the necessity of giving attention to the matter of financing the extensions that had been ordered. The letter said, in part: "In our opinion, the extensions cannot be built and operated without providing additional funds. This opinion is concurred in by the City Engineer, Municipal Railway and Board of Public Works accounting officials, and, we believe, the Public Utilities Committee." The communication went on to state, "The necessities of the existing system, which must be met and on which initial steps have been authorized by the Supervisors, will require $498,000; the Duboce, Ocean View and



	Duboce	Eureka
Diameter of Tunnel	25'	46'
Cost of Tunnel	1,653,777	1,368,107
Cost of Track	567,000	563,000
Dist. Ferry-Ocean	7.24 m.	7.70 m.
Running Time	39 min.	44 min.
Length of Tunnel	4232'	1634'
Heaviest Grade	7%	8%

DUBOCE AND EUREKA VALLEY TUNNELS

Embarcadero extensions, less the value of materials already purchased, will require an additional $823,000; equipment for the Sunset and Ocean View lines will require an additional $360,000; and the estimated cost of a car-barn, shops and the land therefor (required to operate the extensions), is $750,000. These total over $2,400,000; the Masonic Avenue extension, for which the ordinance has not as yet been repealed, would require an additional $345,000. If the unsound course were followed of using the entire depreciation reserve, there would still be a shortage of over $1,100,000."

These figures, representing expenditures from railway funds, will be changed only slightly by the change to the Eureka Valley tunnel, instead of the Duboce Avenue tunnel, previously ordered. In addition, the City will be confronted with the necessity of providing about $340,000 additional (probably from the General Fund), if the policy of the City's paying 25 per cent of the Eureka Valley tunnel cost is followed. No action was taken by the joint committees on this communication, other than to have the Clerk of the Board request the Bureau to send copies to each member of the committees. The matter, however, is one that must be settled before the City can co-operate with property owners in furnishing transportation. Until funds are provided—and the revenues of the road have not in the recent past and cannot in the near future provide additional funds for expansion— extensions cannot be built and operated.

More Brakes Than Driving Power

(From article by George C. Sikes, National Municipal Review, August, 1923.)

Conditions already are in a bad way in this country because of the extreme application of the check and balance theory and the division of power and responsibility among so many independent agencies of government. There are more brakes than driving power. Many of the brakes are under separate control. The independent manipulator of any particular brake can stop the machinery at his own whim or slow it up very much. A large part of the time of the chief engineer or driver is consumed, therefore, in arguments with the manipulators of the various brakes over the question as to whether the machinery shall be permitted to go at all; if so, in which direction, and how rapidly?

No organization constructed on such lines — whether in government, business or any other field—can possibly function with real efficiency. The only way in which a complex organization developed on the check and balance and separation of power theory can be made to work at all is through a political "boss" who can order the various brakemen to co-operate in permitting the mechanism to run.

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A Publication Devoted to the Promotion and Application of Scientific Principles of Government

VOL. III SEPTEMBER, 1923 No. 10

The Need of Revenue Estimates and Control of Surpluses

How the Municipal Railway is Managed

"A Track But No Railroad"

Cost, $1,200,000—Revenue?

City Wages and "Government by Deficit"

The "Going Scale"

San Francisco Municipal Railway Wage Increases

Increases Not Warranted by Revenues

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Effect on Next Year's Tax Rate

Issued by

San Francisco

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The City

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San Francisco Bureau *of* Governmental Research

"An incorporated non-partisan citizens' agency to study public business, co-operate with officials and specifically work for economy and efficiency in municipal affairs."

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The Need of Revenue Estimates and Control of Surpluses

The tax rate of $3.47 was passed to print on September 4th, and finally passed September 17th, without any official report of revenue estimates and other factors involved. There being no report, there was no official information as to the sources from which approximately $460,000 is to be secured over and above revenues to be derived from usual sources and which must be available to permit of a $3.47 rate.

Two Supervisors, in voting against the $3.47 rate, offered amendments to reduce this to $3.40 and $3.20, respectively, on the basis of miscellaneous revenue estimates, and proposed eliminations and reductions in the $25,700,000 budget adopted last May. Both proposals disregarded the necessity, under Court order, of levying approximately $100,000 on account of tax judgments, and the further necessity of levying taxes for debt charges for which the budget appropriation, plus known revenues applicable to debt charges, is $523,000 short.

The situation emphasized the necessity of including in the budget, when it is considered in May, a statement of *all* expenditures, and a statement *in detail* of expected revenues. More particularly the situation emphasized the need of procedure to provide for adequate control of "surpluses." The estimates of revenues to fund a $26,000,000 program must provide a leeway for emergencies. The criticism relative to surpluses is not concerned with the provision therefor, but the manner of their disposition.

If we are to have more business and economy in government it will be necessary to abandon the policy of considering that the budget is "only an estimate" and adopt, in lieu thereof, the policy of living within appropri-

ations, excepting only for unforseen contingencies; and to preserve surpluses created by an excess of revenues collected over revenues estimated, and by the failure or inability to expend appropriations for the purpose originally contemplated. Surpluses should be preserved to apply as a credit against the ensuing year's expenses, or should be accumulated, publicly stated, and appropriated, with the same publicity and official consideration that surrounds the consideration and passage of the budget.

How the Municipal Railway is Managed

It will be recalled that two years ago, just prior to the last election, the Supervisors, in the complete absence of engineering, traffic, or fiscal data, and at what has since been referred to as a "field day," appropriated $965,000 to build four extensions to the Municipal Railway. The Engineer later reported that equipment for the extensions would cost an additional $1,000,000; that the route of one was over an impossible grade, and that traffic conditions did not warrant three of the four proposed. One has since been built and is operating at a loss of $5,000 per month; one has been revoked; one is still slowly proceeding.

For the fourth, the Sunset extension, the City Engineer recommended a line out Judah Street, and a connection with Market Street via a proposed Duboce Avenue tunnel. Last December the Supervisors, by ordinance, directed the Board of Public Works to proceed with an unconnected link, from Cole and Carl Streets out to the Ocean Beach. The Duboce tunnel, due to violent opposition to the assessment district, was practically abandoned by the Supervisors on August 20th, in favor of the Eureka Valley tunnel. An assessment district for the latter is now being prepared, with no certainty of its being the final choice, nor when it will be built and ready for operation.

"A Track, But No Railroad"

On September 17th a resolution was introduced directing the Board of Public Works to proceed with the construction of the unconnected link from Cole and Carl to the ocean, as per the ordinance of last December. This was referred to the Utilities Committee, which on September 19th, refused favorable recommendation. It was brought before the Supervisors September 24th in the form of a minority report and, after a long debate, was passed by a vote of 15 to 2. At the same time a resolution was introduced to provide for negotiations with the Market Street Railway for transfer privileges.

It was argued that it was necessary to "get dirt flying," and that the City, to show its good faith, should lay the rails and give service previous to constructing the tunnel connection. It was reiterated, as it frequently has been on similar matters, 'that the City Engineer's advice is always followed in technical matters, but this is a question of policy.' In answer to

the contention that the proposed line would be unconnected, it was urged that a transfer arrangement could be made with the Market Street Railway; to the contention that there was no place for storing cars, it was urged that the City could buy a lot and put up a temporary barn.

The transfer arrangement with the Market Street Railway Company, if the line is to be built, seems to be a necessary preliminary to be settled in advance. The first two blocks of the proposed line—Carl Street from Cole to Stanyan—are occupied by Market Street Railway tracks; street space does not permit of additional tracks, nor would these be feasible. Joint use of these tracks would likewise require negotiation and this, also, should be settled in advance.

Next, the operation of the proposed line, to transfer passengers to Market Street Railway cars, presuming that such an arrangement could be consummated, would represent an inconvenience to traffic that would militate against the use of the line. Even if arrangements could be made to use the Market Street Railway tracks, from Cole and Carl to Market Street, the extension would still seem to serve little useful purpose, and probably would result only in adding to the expected deficit. The present service would probably not be bettered more than a very small fraction by such a surface line.

Cost, $1,200,000—Revenue ?

The cost to construct this link has been estimated by the City Engineer as $287,500, and the cost of a car barn with land therefor as $750,000—a total, including cars, of close to $1,200,000. Despite the Mayor's statement that the road is making money, and that large accumulated "profits" have been set up as reserves, funds are not available for this and other projects ordered. The amount reserved for depreciation last year was only 4.4 per cent of the historical value of the road; operating revenues were $32,000 short of actual charges, and an actual deficit was avoided only by $55,000 non-operating revenue from interest on securities owned. The attention of the Supervisors has been directed on several occasions to this lack of funds for extensions for which they have voted.

No estimates of probable operating costs, traffic or revenues were requested. The City Engineer's non-compliance with the Board of Supervisors' ordinance, stated as due to an endeavor to use "judgment" in delaying the construction, was subjected to severe criticism. At the same meeting an ordinance was passed ordering through service to the Ferry on the Taraval Street line, also contrary to expert advice, and despite the statement that the line is now losing $60,000 a year and will operate at a deficit of $144,000 a year if through service is given.

Such disregard of sound financial and managerial principles stands continually as a threat against the success of public ownership ventures. Judg-

ment and foresight, essential to success, are often disregarded. If there is a disinclination on the part of elective officials to displease any considerable group and sometimes any individual, the success of public enterprises is dependent only on the desires—frequently conflicting and usually without perspective—of innumerable sectional groups into which the citizen-body is divided.

City Wages and "Government by Deficit"

An interesting angle on the methods of fixing city wages, and the results of our Charter policy of decentralized fiscal control, are furnished by the recent developments incidental to the efforts of the asphalt workers of the Board of Public Works to secure an increase of $1.00 per day.

When the budget was made up by the Finance Committee, the Board of Public Works' appropriations were based on a labor wage of $5.00 per day. Effort was made by and before the Supervisors to increase this, and other wages based thereon, by 50 cents per day. The Finance Committee stated that the Board of Public Works had sufficient funds to pay the increase—meaning, probably, that the Works Board had independent control of its rates and expenditures. The Board of Public Works stated that if the increases were to be allowed an additional appropriation must be provided. This was not done.

Despite the stated lack of funds, the Works Board increased the labor wage scale by 50 cents per day, effective July 1st. Subsequently the Board requested Finance Committee authorization to incur the deficit that the higher wage scale would produce. This amounted to $31,000 for two months—equivalent to $186,000 for the year, if not curtailed. The Finance Committee pointed out that the Board would have to "find the money" by decreasing the number of men or their working time.

The "Going Scale"

On September 7th, the Secretary of the Labor Council appeared before the Finance Committee to urge a $1.00 a day increase for asphalt workers. It was stated that asphalt workers, concurrently with laborers, had been increased 50 cents a day on July 1st, but were still 50 cents below the scale paid in private employment. It was pointed out that in private employment, only two or three men out of an asphalt gang of about twenty are paid the higher rate that is urged as the "going scale." The Works Board stated that under civil service ruling every man in a City asphalt gang is classed as an "asphalt worker," and equally eligible to the highest rate that is made applicable to only a small fraction of contractors' forces.

Last year a similar work and wage program of the Board of Public Works, without provision of funds therefor by the Supervisors, made it necessary to practically shut down some of the street work for the last

three months of the fiscal year. This, according to the City Engineer's office, cost far more in demoralization and effect on the City's program than the amount actually involved in the increases.

There is apparently a persistent disinclination to face the issues involved in requests for wage rate increases, probably because each case is made part of a program that the representatives of organized labor actively interest themselves in. A "charter mandate" to pay the "going scale" is often referred to, although there is no such Charter provision. The effort to keep the City per diem employees up to the "going scale" of private employers—which is often based on intermittent, job-to-job employment—when considered in conjunction with vacation, holiday and pension privileges peculiar to City service, has the net effect of causing the City to pay hundreds of dollars a year more for each such employee than is paid by private employers in San Francisco.

San Francisco Municipal Railway Wage Increases

The press, on September 21st, reported action by the Board of Public Works increasing wages of Municipal Railway platform men from $5.00 to $5.40 per day. It may be recalled that last April representatives of the men urged an increase on the basis of increased living costs, and filed a report with the Utilities Committee purporting to show that a wage of $6.00 per day could be paid without financial danger to the utility.

The matter was referred to the Mayor by the Utilities Committee. An analysis of the proposal by the Bureau of Governmental Research, indicating that the increase would leave no funds for depreciation and would create actual deficits, was transmitted to the Mayor and to the Committee. The matter had not been heard of for some time, until the sudden announcement of the reported increase.

The wages of laborers and other per diem men were increased by the Works Board on July 1st, from $5.00 to $5.50 per day, without, however, any appropriation to cover the increase. On the basis of this precedent the plea of the platform men for an increase has great weight; whether the increase granted to the laborers was justified is another matter.

Compensation increases for Municipal Railway employees, however, must be considered with regard to the revenues of the railway, if the utility is to be self-supporting. The wage increase allowed will probably result in an operating deficit. Six months of 1923 have run to operating deficits. For the last three fiscal years the charges have exceeded operating revenues; deficits have been avoided only by approximatly $50,000 non-operating income received annually from "interest on securities owned."

Increases Not Warranted by Revenues

The income statement of the last fiscal year, ending June 30th, as com-

piled by the Bureau of Governmental Research from monthly operating statements, and "prior to adjustment," shows Operating Revenue, $3,013,-552; Operating Expense (including compensation insurance and accident claims), $2,340,366, and Depreciation Reserve, $298,679 (9.6 per cent of gross revenues or 4.4 per cent of historical value), leaving a Net Operating Income of $374,507. Bond interest and redemption amounts to $406,754. Non-Operating Income ($55,297 from interest on securities owned, and $25,713 a Compensation Insurance Fund dividend) totals $81,010, leaving an actual surplus, due to non-operating income, of $48,763.

It will be noted that the amount set aside in the Depreciation Reserve, commonly considered as 18 per cent of gross revenue, amounts to only 9.6 per cent. It will be noted, also, that in spite of freedom from taxation, the operation of the road runs to a deficit of $32,247, which is converted to a surplus only by the revenue from interest on bonds held in the Depreciation Reserve. Good accounting and maintenance procedure would require that this interest be paid to the Reserve, especially as the amount of the Reserve is probably less than is required to maintain the property, and further, that the policy of using the Reserve for the building of extensions and the financing of deficits, if carried out, will completely wipe out the existing fund.

Not a small factor in this matter of wage increases has been the psychological effect of the Supervisorial policy to appropriate the Depreciation Reserve for extensions, without regard to the traffic or revenue possibilities of these, and often, despite the expert assurance that such extensions were certain to be unprofitable.

From the first successful beginning the Municipal Railway may yet come upon troubled times. The fiscal and managerial policies of the last two years have been settled too often on the political side, after disregard and in some cases, opposition to sound principles and expert advice. The manner of these settlements does not offer brilliant promise for future success; unless the policy is changed, so that the complex enterprise is left in qualified hands, the Railway may easily become a liability rather than an asset.

An Unencumbered $1,100,000

A quiet sort of controversy has been waged during the month, centering around the final payment to the contractors on the Hetch Hetchy dam. The issue was whether the City's settlement should be for the net or the gross amount due. If for the gross amount, the sum of $279,662 due the City for freight and power charges would be transferred from bond funds to the Hetch Hetchy Operative Revenue fund, and be available—if legal—to use for interest or other charges; if for the net amount, $279,-662 of bond funds would be conserved, for Hetch Hetchy capital expenditures.

The Supervisors had previously authorized the payment of $298,276 to the company, this being the net amount. The gross amount was $673,-014; the difference, $374,738, was due the City, principally for Hetch Hetchy Railroad freight charges on construction materials. The Supervisors, by resolution, on September 24th, charged to the cost of the dam the amount due the City from the company, and transferred the $279,662, represented by freight and power bills, to the Operative Revenue fund.

The City Engineer's office frankly stated that the desire to draw the warrant for only the net amount was for the purpose of conserving Hetch Hetchy Bond funds, as opposed to building up the Operative Revenue fund. By transfer of September 24th, the Operative Revenue fund is increased from $820,000 to approximately $1,100,000. It has been estimated that at least $175,000 was intended to be taken from this fund, to make possible the $3.47 tax rate, recently passed. If, as it seems, such use is illegal prior to paying Hetch Hetchy Railroad operating charges, and if the action is taken and is contested, the only recourse will be to cut the budget.

Effect on Next Year's Tax Rate

A heavy increase in next year's tax rate is unavoidable—with the continuous expenditure of Hetch Hetchy Bond funds, thus reducing the idle funds available for reinvestment, and a Supervisorial policy of opposition to distributing Hetch Hetchy power through any private agency—unless large sums, such as the Operative Revenue fund, are available to the Finance Committee, to apply against the City's steadily increasing debt charges.

The Operative Revenue fund of $1,100,000 is equivalent to about 17 cents on the tax rate. If $175,000 is used to offset interest or other charges during the current year, this will leave a balance equivalent to 14 cents on the tax rate. This is sufficient to offset increased expenditures of about $900,000; if, however, it cannot legally be used, a higher tax rate for 1924-25 seems inevitable.

The situation should be cleared up, first by an official opinion as to the legality of any contemplated use of the fund; then, if necessary, an audit to determine what amount must be paid for operations and what surplus is available; and finally, by a publicly announced statement when the fund is to be used, of how it is to be used, as a necessary detail of public business on which the public should be informed.

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A Publication Devoted to the Promotion and Application of Scientific Principles of Government

VOL. III NOVEMBER, 1923 No. 12

Regional Planning and the Metropolitan Area
Metropolitan District Does Not Require Annexation

San Francisco's Major Governmental Problem
Charter Defects

Important Municipal Events

A Word About The Bureau

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Regional Planning and the Metropolitan Area

The "regional planning" movement initiated by Supervisor Welch and given official sanction by the San Francisco Board of Supervisors offers a feasible method of solving some of the big problems of the San Francisco metropolitan area. The official invitation to join in such a movement has already been accepted by San Leandro and Alameda. The movement should be taken up by all official and civic bodies in the many governmental units affected, and every possible step should be taken to insure its success.

It is stated that over 1,200,000 people live in the territory designated as the San Francisco Metropolitan Area. When it is considered that within this area lie all or parts of five counties and over 80 cities, towns and villages, each with its own independent government, the difficulty of solving common problems by first consolidating all units into a single political subdivision is apparent.

Outstanding problems, such as water supply, transportation, bridges and industrial development are even now pressing for solution. The most promising hope for solving these in the near future lies in the development of regional planning and the creation of "Metropolitan District" organization and procedure as a result thereof.

The Bay District may well take a leaf from the book of Los Angeles County in this regard. Under the auspices of the Los Angeles County Board of Supervisors there was organized on January 21, 1922, a Regional Planning Conference, attended by 180 representatives of official and civic bodies of 25 cities and lesser corporate communities. It has been stated that this represents the most comprehensive attempt in this country to ob-

literate arbitrary subdividing lines and to plan for an area that is as one from an economic and social standpoint.

The formation of metropolitan districts for the economic and harmonious handling of certain projects or necessary developments that may be too large to be easily undertaken by individual governmental units is not new in this country. In California we have provided by law for joint school districts, joint utility districts and joint highway districts for this very purpose. An instance of necessary and successful group action is the Sanitary District of Chicago, including Chicago and 30 small towns, governed by a District Board elected by the area affected, and formed for the development of a general sewerage system.

The Metropolitan District of Boston, including all cities and towns within a radius of 15 miles, was organized to secure for those communities common action in matters of water supply, sewerage, parks and planning. It is governed by five commissioners, appointed by the Governor. Operating and capital costs are assessed upon the benefited communities. The Miami Conservancy District was organized after the Dayton Flood of 1912, to construct and maintain flood prevention works. This district embraces all or part of nine counties and is governed by a board of three, appointed by a Court made up of one judge from each of the counties affected.

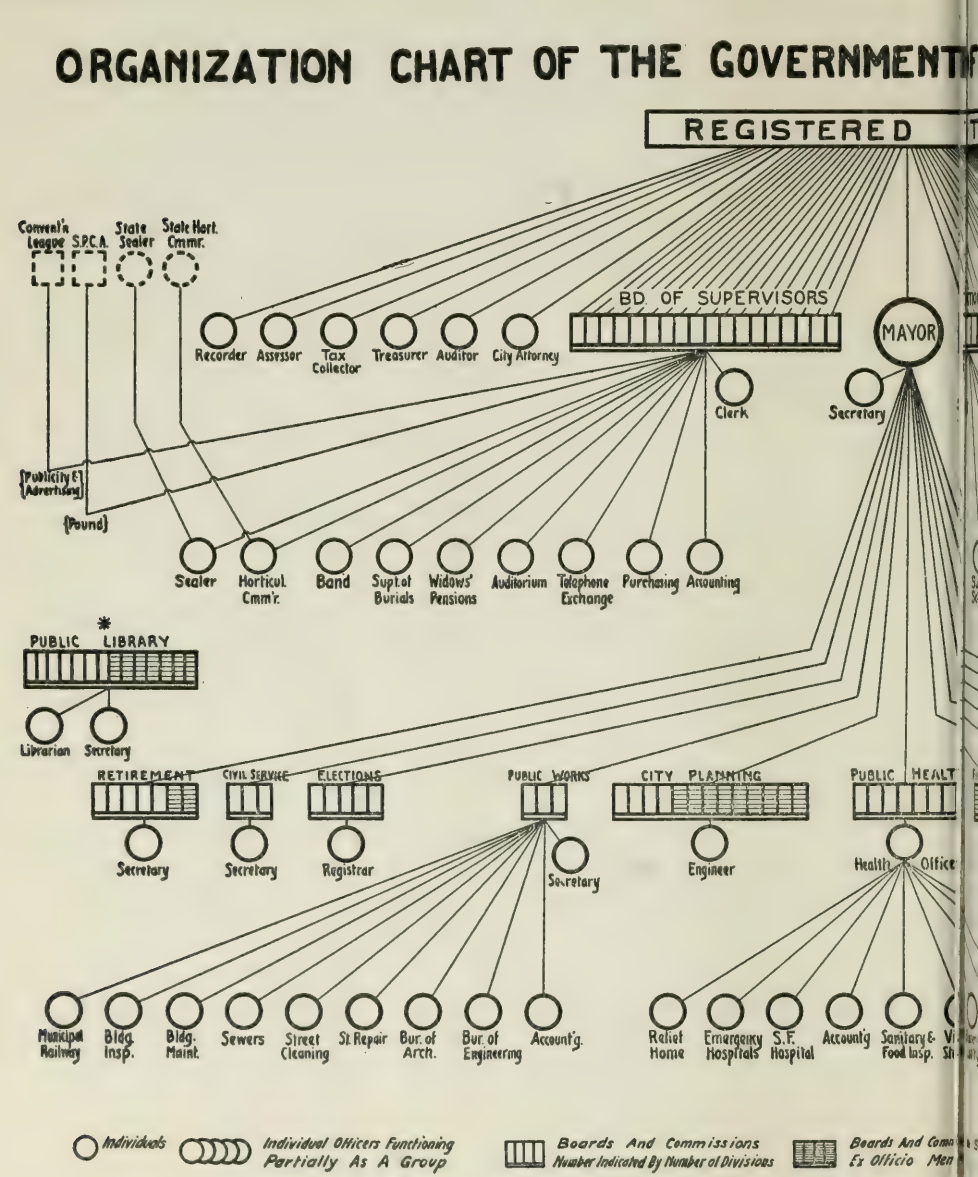
Metropolitan District Does Not Require Annexation

Through the organization of a San Francisco Metropolitan District—or whatever name it may be called—it will be possible to secure a governmental area large enough to attempt projects that cannot be undertaken by the cities and towns individually, and that will be effective in securing other projects that require common action by two or more governmental subdivisions. The other phase that sometimes is confused with Metropolitan District organization—the elimination of unnecessary duplications of government that exist within the borders of the area—is separate and apart from the metropolitan district plan. This would require a unification and centralization of governments by annexation and consolidation. Due to the local pride of individual communities affected, it would seem that any such annexation and consolidation plan would be slow at best, and for a long time, incomplete as far as the whole area is concerned.

The "regional planning" movement, however, with the ultimate development of a metropolitan district organization and procedure, would seem to offer an immediate means of joining together all the Bay and Peninsular cities and counties—without any loss of individuality—in effective work for the common good. It is to be hoped that the movement already started will gather fresh impetus and be pushed as rapidly as possible to a successful conclusion.

San Francisco's Major Governmental Problem

San Francisco's major governmental problem is shown, in part, by the ccompanying chart of our municipal organization. This is the form of rganization that is fixed by our Charter to handle our community activi- ies, solve our community problems, and control the destiny of San Fran- isco. The other part of the major problem, which cannot be shown on he chart, is the procedure, also laid down by the Charter, under which he organization must function.

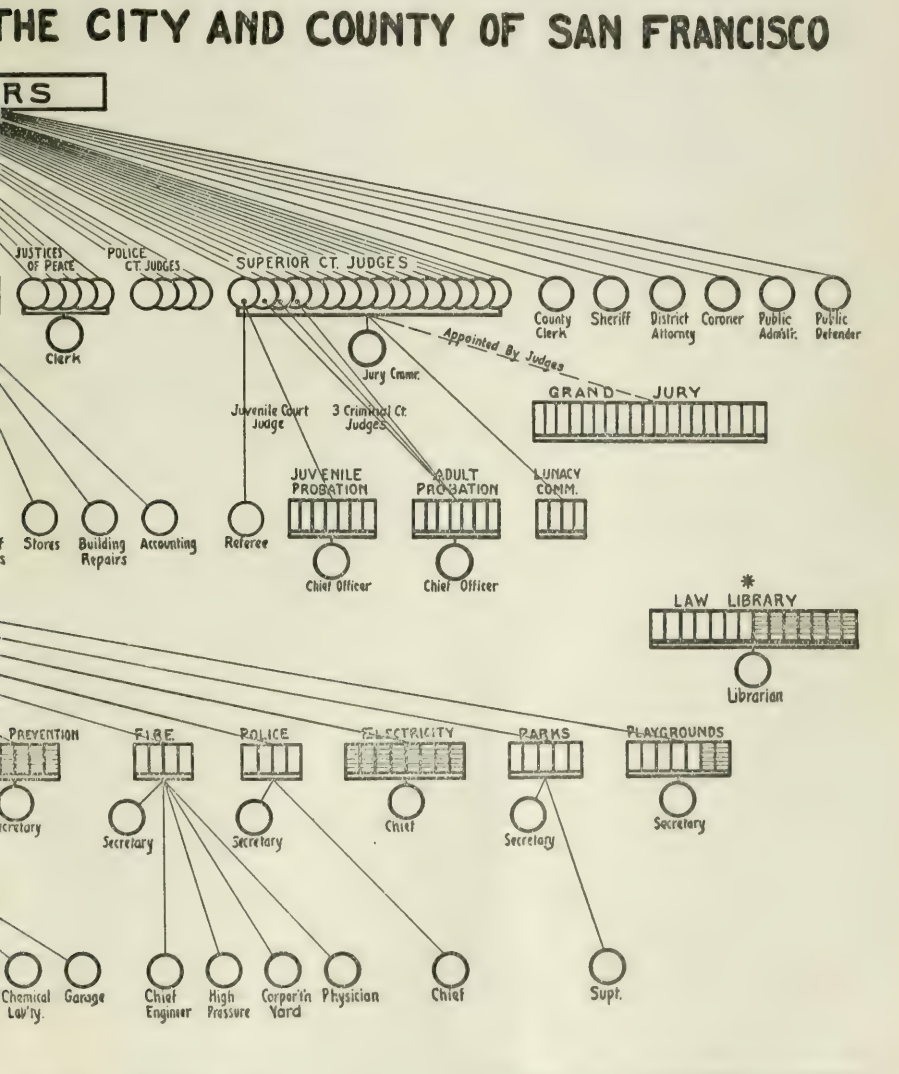


Charter Defects

The principal defects in the organization and procedure specified by the Charter—adopted in 1898—may be briefly summarized as follows:

Sixty-three officials are chosen by and responsible only to the electorate; all are equally independent of any executive control, supervision or authority to co-ordinate their respective functions.

Thirty-one administrative units and twelve elective administrative officials are entirely independent of control by the nominal executive.



The form of organization is "frozen" and cannot be changed without Charter amendment.

Legislative, administrative and executive powers are delegated to the Board of Supervisors, and the latter two, in large measure, to one of the eighteen committees of the Board.

Fourteen boards and commissions—six of which have independent expenditure and policy-making powers, and five of which have no single executive in charge of operations—are interposed between the nominal executive and the operating departments.

Fiscal control and salary fixing are decentralized and responsibility for these cannot be fixed.

Budget procedure and tax limits are not definitely specified, and permit of large unbudgeted surpluses.

There is no single responsibility for program or policy.

Charter organization and procedure are the principal weaknesses which the citizen-body must correct. Their correction involves Charter revision or piecemeal amendment. The Bureau, in co-operation with city officials and civic bodies, is hopeful that at next November's election marked progress can be made along these lines.

Important Municipal Events

Raising Market Street. The City Engineer reported the cost of raising lower Market Street to grade, from Embarcadero to Second Street, as $350,000. The City's share of this was $100,000, one-half from the Municipal Railway Depreciation Fund, and one-half from taxes; the balance, $250,000, was paid by the Market Street Railway Company. The raising of the Municipal Railway (outer) tracks and the roadway and sidewalks, was forced by the necessity of reconstructing Market Street Railway tracks and roadbed, which reconstruction had to be brought to the grade from which the original construction had settled.

Eureka Valley Tunnel. The Supervisors, November 13th, received the City Engineer's formal report on the cost of the proposed Eureka Valley (Mission-Sunset) tunnel and an outline of the proposed assessment district. Supervisors November 26th adopted Lands and Tunnels Committee report, directing the elimination of a large section of the Mission District from the City Engineer's proposed assessment district. Plans provide for a vehicular and railway tunnel 46 feet wide to cost $1,368,107; under the supervisorial policy of August 20th the City is to pay 25 per cent of the cost, the balance to be assessed to benefited property owners in the Sunset and Mission Districts. Hearing on the proposed Duboce Avenue tunnel, for which the Eureka tunnel is a substitute, is scheduled for December 24th.

Relief Home Bonds. The Supervisors, November 5th, sold to the Guaranty Company of New York $100,000 Relief Home 5 per cent bonds,

maturities $5,000 each year from 1928 to 1947, for $103,517 and accrued interest. Sixteen bids were received. Prices bid ranged from $100,928 to $103,517 for average maturities and from $103,003 to $105,430 for 1947 maturities.

City's Right to Condemn Utilities. On October 30th the Supervisors referred to the Utilities Committee a resolution by Supervisor Schmitz asking the City Attorney's opinion on the following questions: (1) Can the City condemn privately-owned systems in the City now being used for the same purposes for which the City requires them? (2) If so, can the City condemn only that portion of such a system inside the City or must it condemn all of the system? (3) If condemnation can be confined to property within the City and County, will the private companies be entitled to severance damages on account of the effect of this on the remainder of their systems?

Regional Planning Commission. The Supervisors, October 29th, adopted a resolution by Supervisor Welch requesting the Bay cities to express their views on the creation of a regional planning commission for the development of Bay region highways, transportation facilities, water supply, etc. Copies of the resolution were forwarded to the various Bay cities and answers have been received from San Leandro and Alameda approving the suggestion.

A Word About The Bureau

At this time, the start of the eighth year of Bureau operations, it may not be amiss to refer to the creation of the Bureau and to again take stock of Bureau aims and purposes.

In 1916 the Tax Committee of the Real Estate Board, of which Bruce Cornwall (Chairman of the Board of Trustees of the Bureau) was chairman, undertook an analysis of municipal expenditures to determine whether the steadily rising tax rate was or was not justified. Accountants employed by the Tax Committee, hampered by the lack of complete information, comparative estimates and unit costs, and after attempting to weigh the merits of the then pending 1916-1917 budget estimates, recommended that the situation required a survey by experts in municipal administration.

This recommendation was approved by the Tax Committee but the funds to finance such a survey were not available. Mr. Cornwall then interested the Real Estate Board, which was successful in raising a fund of $10,000 from about 150 donors, whereupon the Bureau of Municipal Research of New York City was retained to make the survey.

Experts on public works, public health, police, accounting and finance were sent to San Francisco and their survey report, a volume of 681 pages,

was published, and given publicity in daily installments in the local press. In submitting their report they urgently recommended the formation of a local citizens' research agency to function day in and day out on municipal affairs.

As a result of this recommendation the San Francisco Bureau of Governmental Research was formed. Public interest was enlisted and subscriptions were secured from 85 citizens and taxpayers to guarantee Bureau operations for a five-year period. On November 1, 1916, the Bureau was launched as "an incorporated, non-partisan citizens' agency to study public business, co-operate with officials, and specifically work for economy and efficiency in municipal affairs." Since the termination of the first five-year period, the Bureau has been financed by an ever-growing number of subscribers who now number over five hundred.

The Bureau was intended to represent citizens' interest in co-operating with public officials to improve government, secure economy in public expenditures wherever possible and, by contact and research, to assist in improving the methods of handling governmental affairs. Its operations have resulted in a measure of success that could only have been achieved by the co-operative, non-political, fact-basis policies that have been consistently adhered to.

The Bureau has participated in the installation of the City's present accounting and budget procedure. It studied municipal pension systems at the request of the Mayor and prepared the Charter amendment authorizing such a system here. It served as a staff agency for the Supervisors in collecting essential data for revising the License Ordinance, which increased municipal revenues $500,000 a year.

It co-operated with the Supplies Committee in drafting the Charter amendment and ordinance establishing the new centralized purchasing system. It recently completed a study of present and future population-distribution for the Board of Education which was used as a basis for the Board's school-building program. Scores of other examples of effective co-operative work, resulting in economies and increased efficiency might be cited.

Such information as the Bureau has on municipal questions is at the disposal of all citizens, civic organizations, City officials and the press. Many of the Bureau studies are undertaken at the request of City officials and civic organizations.

The seven years' record of achievement has operated to test out and prove the Bureau's policy of co-operation. Many things remain to be done, but gradually these will be secured. When, by public education, the Charter is revised to provide for a more responsible type of government and more businesslike procedure, the present major aim of the Bureau will have been attained.

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What Salary Standardization Means

San Francisco's Bonded Debt
Leeway Under Charter 15% Limit
Leeway Under the New York 7% Law

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What Salary Standardization Means

During the activities last year with reference to Charter Amendment No. 32, and subsequent to the defeat of that measure, it was found that there was no common understanding of what is meant by the term "salary standardization." To some it implies lowering of salaries; to others it implies mechanical fixing of compensations without regard to performances. Others expressed the thought that salary standardization, applied to City service, would mean bringing all employees in one group up to the salary level of the highest.

Salary standardization, as applied to the City service and if scientifically and equitably carried out, would mean the following: An understandable basis for every salary or wage paid; an equality between compensation for the same class and character of work; an impersonal instead of a personal basis for considering salary changes; the removal of political pressure on Supervisors and other officials relative to salary increases; elimination of employee dissatisfaction, due to real or fancied discrimination; elimination of the necessity of employees and groups attempting to influence elected officials; and, in consequence, the elimination of political activity that has permeated the whole service, due to the way compensations are now fixed.

The Charter framers in 1898 made a definite attempt to prevent expansion of the municipal payroll by specifically enumerating the number of employees and their compensations in many offices, and by requiring that additional employees could be provided only after investigation and recommendation by the Mayor and with the affirmative vote of fourteen of the Supervisors. The employees so enumerated constitute the forces of the so-called "general offices." In addition, several of the larger departments

—including Health, Public Works, Playgrounds, Parks, Education, and Public Library—were given independent powers to fix compensation for their employees.

The Civil Service article of the Charter provides in part that "the Commissioners shall classify in accordance with the duties attached thereto, all places of employment in or under the offices and departments of the City and County (not exempted from civil service) or which may be created hereafter and not specifically exempted by this Charter. The Commissioners may grade, and from time to time re-grade, the positions covered by any class, in accordance with salaries and duties, to the end that like salaries shall be paid for like duties."

The apparent powers granted to the Civil Service Commission by this section, which took effect in 1913, were never used, due to the fact that the Commission felt that it did not have the power to regulate the salaries of independent departments or to change Charter salaries, and, also, to the fact that the provision is permissive and not mandatory. As has been stated frequently in these columns, responsibility that is not fixed will seldom be assumed.

Salary standardization, reducing it to a phrase, means equal pay for equal work. No one, in equity, can require more; no one can be expected to be content with less. When salaries are fixed on the basis of persons or of large groups having the same title but diverse duties, it is obvious that this will not be done. Those who are in a position to have their work known by officials in power are more likely to get recognition than equally or more efficient workers further removed from the source of power; or minor service in a general group will be compensated for on the basis established for the more responsible service in the same group.

Effective salary standardization requires first, the defining of duties and positions, in functional groups and subdivisions thereof, without relation to persons; second, the fixing of base, intermediate and maximum compensations, for each functional subdivision; and, third, the classification of employees in accordance with the duties and responsibilities as defined in the classification.

Base rates can be fixed for each major group by taking into account salaries paid in other cities, in various local departments, and in private employment, also employment allowances, opportunities for advancement, etc., in city service as compared with private service, cost of living and other pertinent factors. With a base rate fixed, the matter of seniority pay within classification subdivision can be determined. From the base and maximum rates for the most minor classification in any group, steps from this lowest classification up to the highest in the group can be determined.

The equalizing of salaries, heretofore haphazardly fixed, will inevitably mean individual increases and decreases—or, in lieu of the latter,

special opportunity to work up to a higher classification. The question of the scale as a whole, however—whether it is to be raised, lowered or maintained—cannot be determined without careful study and analysis of many factors affecting compensation. The establishment of a general salary scale for the City involves many questions of policy, in the determination of which representative opinion must be secured if the plan as a whole is to be one that can be defended before employee, employer and taxpayer.

This is what the Bureau understands salary standardization to mean. A question as vague and as broad and with as many variations as that of salary standardization applied to the municipal service cannot rest on isolated cases, but requires the most detailed of study. An example of the detail involved may be conveyed by the fact that it is estimated as a minimum that six months will be required for a proper study and this may easily require a year.

San Francisco's Bonded Debt

San Francisco's bonded indebtedness is of particular importance at the present time, by reason of the agitation and official policy for the retail distribution of Hetch Hetchy power, with consequent heavy capital expenditures, and by reason of the heavy capital expenditures involved in other projects which are considered in many quarters as of relatively greater importance than municipal distribution of Hetch Hetchy power.

Bonded indebtedness and future additional debt burden should be considered under two heads—with relation to the Charter 15 per cent debt limit, and with relation to the so-called "New York 7 per cent law."

The Charter 15 per cent limit has relation to the amount of bonds which the City, under Charter restriction, may legally issue and sell. This amount is limited to not to exceed 15 per cent of the assessed valuation of property, plus (1) Exposition Bonds, (2) bonds which may be issued in the future for Market Street Railway purchase, both of which are specifically exempted, and (3) school bonds, which under the Political Code are probably exempted up to an additional 5 per cent of assessed valuation for elementary and 5 per cent for high schools.

The so-called "New York 7 per cent law" has relation to a provision of the banking laws of that State which limit the field of investment of savings banks, and indirectly, trusts, trust companies and life insurance companies in that State. Local bond houses convey the information that bonds not "legal" in New York and Massachusetts are slow and difficult to market, particularly if issued in large blocks. This is stated as due principally to the heavy proportion of any large bond issue that must be marketed in Eastern financial centers, and, secondarily, to the fact that many investors in other parts of the country stipulate, to insure nego-

tiability, that their holdings and purchases must be "legal" for New York.

The "New York 7 per cent law" is to the effect that when the indebtedness of a community, exclusive of its water debt, shall exceed 7 per cent of its valuation for the purposes of taxation, its bonds and stocks shall cease to be an authorized investment for savings banks.

Leeway Under Charter 15% Limit

The non-operative assessment roll for 1923 totals $644,180,000. The Charter 15 per cent limit would therefore amount to $96,627,000. The accompanying table shows the City's total bonded indebtedness as of July 2, 1924 (both outstanding and authorized but not yet sold, and after deducting all redemptions provided for in the current budget); also the debt under the 15 per cent limit and the debt outside such limit. The net debt under the 15 per cent limit, if the remaining authorized but unsold Hetch Hetchy and Relief Home bonds are sold before July 2nd next, will then be $64,185,000. This will leave a leeway under the Charter 15 per cent debt limit of $32,442,000. This leeway, with $2,046,600 of redemptions and estimated annual increases in assessed valuations, will increase approximately $3,800,000 each year.

Status of Authorized Bond Issues

As of July 2, 1924 (if no further issues are authorized)

Year	Issue	Outstanding	Life	Retired	Annual Redemption	
	Bonds Authorized Under the Charter 15% Debt Limit					
1904	Park	$ 164,000	40	1944	$ 8,200	
1904	Library	56,000 unsold 766,000	40	1944	41,100	
1904	Mission Park	146,000	40	1944	7,300	
1904	Playground	370,000	40	1944	18,500	
1904	Street	162,000	24	1928	40,500	
1908	Fire	4,030,000	40	1955	130,000	
1908	Garbage	56,000 unsold 244,000	20	1930	50,000	
1908	Hall of Justice	350,000	20	1931	50,000	
1908	Hospital	800,000	20	1932	100,000	
1908	Sewer	3,000,000	40	1954	100,000	
1910	Geary St. Ry.	950,000	20	1934	95,000	
1910	Market St. Ry.	19,000 unsold 41,000	20	1934	6,000	
1910	Hetch Hetchy	5,281,000 unsold 34,719,000	45	1964	1,000,000	
1912	City Hall	7,200,000	44	1960	200,000	
1913	Hospital	800,000	17	1932	100,000	
1913	Municipal Ry.	2,900,000	35	1952	100,000	
1923	Relief Home	1,900,000 unsold 100,000	20	1947	(Starts 1928)	(100,000)
		$64,054,000			$2,046,600	
	Bonds Exempt from the Charter 15% Debt Limit					
1908	School	$ 2,800,000	25	1938	$200,000	
1910	Polytechnic	325,000	24	1937	25,000	
1918	School	3,150,000	20	1942	175,000	
1912	Exposition	3,000,000	25	1939	200,000	
1923	School	12,000,000 unsold	40	1967	(Starts 1928)	(300,000)
		$21,275,000			$600,000	

Leeway Under the New York 7% Law

The leeway under the New York 7 per cent law—which, for San Francisco's purposes, may be considered as the "marketable-bond" leeway—limits the net debt, exclusive of water bonds, to 7 per cent of valuation

for the purpose of taxation. Seven per cent of the non-operative assessment roll of $644,180,000 amounts to $45,092,600. The accompanying table shows an outstanding net debt, under the New York 7 per cent law, of $31,298,000, leaving a leeway of $13,794,000. Should all the authorized $13,900,000 of School and Relief Home bonds be sold before July 2, 1924—which is not contemplated—San Francisco would then technically exceed the New York 7 per cent limit by about $105,000. The margin under this limit, excluding water bond redemption, will build up at the rate of about $3,500,000 a year.

Analysis of Debt, Under N. Y. 7% Law

Outstanding and authorized, less current year's redemptions		$85,329,000
Less unsold 1904 Library	$ 56,000	
1908 Garbage	56,000	
1910 Market St. Ry.	19,000	
1910 Hetch Hetchy	5,281,000	
1923 Relief Home	1,900,000	
1923 School	12,000,000	19,312,000
Outstanding as of July 2, 1924, assuming no future sales		66,017,000
Less outstanding Water Debt		34,719,000
Net Debt, under New York 7% Law		31,298,000
Net General Debt Limit New York 7% Law		45,092,600
Leeway, July 2, 1924, New York 7% Law		13,794,600
Authorized, and available for sale:		
1923 Relief Home	$ 1,900,000	
1923 School	12,000,000	13,900,000
Excess if these bonds are sold as of July 2, 1924		105,400

Conclusions as to These Debt Limits

The conclusions to be derived from an analysis of both limitations are plain. Under the Charter 15 per cent limit our debt leeway is estimated as $32,442,000. If the completion of the Hetch Hetchy water system will cost $32,000,000, and if power distribution will cost between $25,000,000 and $63,000,000, then it is obviously impossible to attack both. Choice must then be made as between completing the water project or going into the business of electric distribution.

Under the New York 7 per cent law, if this limits the marketability of our bonds, and if our debt leeway in New York, estimated as $13,800,000, will be wiped out by sales of Relief Home and School bonds, and if future water bonds will be exempt but future power bonds will make all our bonds cease to be "legal," then we can sell bonds voted for the completion of the water project, but not for an embarkation into the power field.

Important Municipal Events

Van Ness Avenue Extension. City Engineer's report on Van Ness Avenue extension and assessment district therefor, was considered by Streets Committee December 20th. City Engineer asked to report on estimated cost of land and street improvements, and boundaries of district to be benefited and assessed. Supervisors, December 24th, refused adoption of committee report, declaring a policy of proceeding with the improvement.

HETCH HETCHY-DUMBARTON CROSSING. Supervisors, after reference to and investigation by Utilities Committee, approved City Engineer's amended plans for Hetch Hetchy-Dumbarton crossing. Original estimate, stated as made prior to detailed designs and location studies, provided for wooden trestle bridge, one 36-in. pipe, etc., estimated cost, $4,112,000. Amended plans, providing for steel bridge, two 42-in. pipes, etc., estimated to cost $6,074,583.

PANHANDLE EXTENSION. City Engineer proposes extension of the Panhandle by continuing three blocks east from its present terminus at Baker Street, and then southeasterly to Market Street and Duboce Avenue.

Hetch Hetchy Power In Its Proper Relation

The position of members of the Finance Committee, at the Supervisors' meeting of December 24th, in opposing resolutions designed to initiate condemnation proceedings of the two privately-owned distributing systems, brings consideration of the power matter back to first principles. This opposition was stated as based primarily on the fact that a $32,000,000 bond issue must soon be initiated to supply funds for completing Hetch Hetchy as a water supply; that the condemnation resolutions might prejudice 25,000 local stockholders of the private companies, with a resulting adverse vote on the proposed water bond issue; and that $100,000, the estimated cost of Railroad Commission valuation, was not available.

It is necessary to recall that on September 11th last, a long-awaited report on the power subject was received from the City Engineer. This was read and filed, whereupon, without discussion of the many ponderable facts therein, the Supervisors passed the resolution now well known, placing the City in unalterable opposition "to the policy" of power distribution through any private corporation.

The present official recognition of the danger in the proposed power venture to the City's water supply investment is a tardy echo of the emphatic recommendation contained in the City Engineer's report of September 11th; of similar recommendations in an analysis by Charles H. Lee, former head of the State Division of Water Rights; of the report of the local chapter, American Association of Engineers; and of the stand taken respectively, by the Bureau, the Down Town Association and the Chamber of Commerce, in opposing hasty and ill-considered action on the power question.

Under the Charter 15 per cent debt limit, the City next July 2nd will have a debt leeway of slightly over $32,000,000. If a bond issue for power could be brought to a vote in 1924, and if it should carry—the first impossible and the second improbable—bonds for completing the water project could not legally be proposed. If, for lack of funds, our work shall cease at the end of 1924 and a long gap creep into our construc-

tion effort, our rights under the Raker Bill and under State water-rights laws will be jeopardized. Water users below the Moccasin Creek power house could then perfect title to the water that we have spent large sums to impound in the mountains.

Under the New York 7 per cent law, which largely controls the marketability of our bonds, we have no leeway for further bonded indebtedness, other than for water bonds, which are excluded from this restriction.

By every principle of business reasoning—and by the further fact that there is no official knowledge as to whether Hetch Hetchy power rates could compete with existing rates—the power issue is subordinate to the water issue. An unprejudiced analysis will probably prove that it is subordinate to other big issues that require municipal funds. But if it is important to protect over $40,000,000 that will have been spent by the end of 1924, it is necessary to consider the completion of Hetch Hetchy as our "Number One project."

The School Building Program

The progress of the Board of Education's carefully-evolved school building program is not expedited by the difference of opinion that has recently been evidenced between the School Board and the Supervisors. Dissatisfaction with the plans for two schools resulted in the Supervisors recently repealing an ordinance under which the Board of Public Works has been designing buildings on the order of the School Board, and (after approval of the plans by that body), calling for bids and letting contracts for these structures.

The repealer, coupled with another recent ordinance, is designed to require the Works Board to secure Supervisorial approval of plans for school and other construction work before letting contracts. Whether this is legally operative for school construction is doubtful. Under the Charter, the Board of Education is apparently supreme in approving school plans. After such approval and return of plans to the Works Board, that body "shall proceed without delay to have such schoolhouse constructed."

Whether legal or not, it probably can be made effective, as the Supervisors under present procedure control the funds available for building schools. Without Supervisorial appropriations school building can be hampered and possibly tied up.

If this is possible—regardless of the two schools complained of, and with due regard for the fact that no official or official body should be above criticism—it will also be possible for the Board of Supervisors, as a relatively uninformed body, to force its views on a technical subject in substitution for a program, long considered and presumably balanced by the body officially responsible therefor.

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The Proposed Hetch Hetchy Bond Issues

As has been stated in the press, the Supervisors have initiated action designed to place before the people two Hetch Hetchy bond issues—one to complete forty-eight miles of Hetch Hetchy water tunnels; the other to provide funds for the construction or acquisition of a partial municipal hydro-electric distributing system. It has been stated that the amounts contemplated (to be specified in later ordinances of the series necessary to submit the issues to the people) are $24,000,000 for the water project and $15,000,000 for power distribution.

The City Engineer has estimated that $32,000,000 will be required to complete the water project. This covers ninety miles of line, divided into two tunnel units of seventeen and thirty-one miles each, at estimated costs of $8,500,000 and $15,500,000, stated as requiring eight years to construct; and a forty-two mile pipe line, to be constructed in the last one and a half or two years, to cost about $8,000,000, and which will not be financed at this time. The amount required for the completion of the water project is, therefore, definitely known; if the suggested $24,000,000 bond issue is submitted to the people they will be in a position to vote intelligently on the matter.

Such is not the case, however, with the proposed $15,000,000 bond issue for power distribution. Just what furnishes the basis for determining $15,000,000 as the amount has not been publicly announced. The citizens' Advisory Committee has recommended that the City proceed with the construction of a main step-down and conversion station. Funds are not available for this in the 1910 Hetch Hetchy water bond fund; according to official legal opinion, such funds could not legally be used for power distribution purposes, even if available.

No Basis for $15,000,000 for Power

The City Engineer has estimated that construction of a main step-down and conversion station to supply power for the Municipal Railway, public buildings, and street lighting (19 per cent of the Hetch Hetchy power), together with steam standby therefor, necessary feeder lines, sub-stations, etc., and taking over existing lights and lamps, would cost $10,500,000. If this is the basis for the $15,000,000 estimate, there is no publicly announced policy of what is to be done with the remaining $4,500,000.

Although the intended use of the suggested $15,000,000 issue, if proposed to and voted by the people, has not been publicly stated, it is practically certain that this sum will be inadequate for the construction or acquisition of a distributing system of sufficient size to distribute all of the Moccasin Creek power. The voting of the suggested issue will put the City in position to duplicate or parallel existing facilities, although the people, unless they would have this proposition clearly before them, might not intend to authorize such a policy.

The only estimates of probable cost of going into the business of retail distribution of electric energy are furnished in two reports of the City Engineer. The report of April 4, 1923, estimated that the value of the P. G. and E. system, based on 1914-1919 price levels and inventory of properties by the Railroad Commission *was not less than* $17,000,000; this figure, of course, does not include possible severance damages, nor subsequent additions. The report of September 11th stated that a complete distribution system to supply the entire local power demand, if independently constructed, would cost $45,000,000.

The same report stated that the Moccasin Creek output will equal only 45 per cent of the 1925 power demand; that to supply the 1928 demand, two additional plants should be constructed at once, and the present Moccasin Creek plant enlarged; and that these additional costs for power generation would total $18,000,000. This makes a total cost for an independently constructed distributing system and new generating plants of $63,000,000.

The expenditure during the next several years that would be required if the City enters the power business, therefore, would range from a probable *minimum* of about $25,000,000 to $63,000,000.

A Small Power Bond Issue Will Mislead

All will agree that a bond issue for $15,000,000 will stand a better chance of passing than one for $25,000,000 or $45,000,000, if both are based on the same intrinsic merit. The suggested $15,000,000 would not cover the investment required of the City for a plant of a size to dispose of the 93,000 H. P. to be available in San Francisco next January. The larger sum, which in itself would suggest caution, may easily represent the investment required by the City in the next few years if it takes the

initial step; the most potent argument for future bond issues would be to "safeguard your investment" as represented by the initial small issue.

To secure a real referendum on municipal power distribution the whole amount that the people will be asked to provide should be submitted to them for their vote. It is known, of course, that a valuation by the Railroad Commission may take from six months to a year or longer. By using the facilities of the City Engineer's office, however, it is probable that an approximation can be made of the minimum or maximum cost to acquire existing facilities of sufficient size to dispose of the electrical energy that will soon be ready for delivery.

A proper referendum on the matter, in the opinion of the Bureau, should therefore be based on an approximate cost, so estimated. If this is, say, $25,000,000 the people will then have the facts necessary for intelligent voting squarely before them.

To submit an arbitrary figure, which is too low for effective entry into the power distributing field, will only delude the voters. If such a proposed issue should be voted, we can rest assured that it would be the basis for future bond issues, on the plea of necessity for protecting the capital investment originally authorized by the people on the basis of a delusion as to results to be accomplished.

Let us, therefore, if we are to have a bond issue for power, require that the amount thereof be approximately the amount that the City must spend before it can distribute Moccasin Creek power over a municipally-owned distribution system.

"Metropolitan District" Does Not Require Annexation

Comments that have reached the Bureau relative to the article entitled "Regional Planning and the Metropolitan Area," published in the November CITY, indicate either that this was not clearly written, or was misunderstood. The article attempted to point out that the organization of a metropolitan district did not require annexation. This point was made, inasmuch as there seemed to be some confusion in public discussion, between the terms "annexation," "consolidation," "borough system" and "metropolitan district," and further, that the objection on the part of some communities to an annexation program is well known.

The article stated in part: "The regional planning movement, with the ultimate development of a metropolitan district organization and procedure, would seem to offer an immediate means of joining together all the Bay and Peninsula cities and counties, without any loss of individuality, in effective work for the common good." This was erroneously taken in some quarters as indicating an opposition on the part of the Bureau to annexation.

It is well known that a movement has developed in San Mateo County

to have all or part of that county initiate proceedings to become annexed to San Francisco. It is stated, on the other hand, that public sentiment in certain of the East Bay communities will not favor any plan for common action with San Francisco unless assured that it does not have annexation as its ultimate goal.

The article remarked that in considering problems common to the San Francisco Bay region, at least five counties and over eighty cities, villages and towns are affected. For those who see annexation as the only solution, it should be pointed out that under existing laws annexation cannot "jump" county lines, except in the single exception of San Francisco and San Mateo counties. It is also to be kept in mind that no incorporated territory can be annexed or consolidated against the will of its voters.

It is an inevitable conclusion, therefore, that any program of development which has to wait upon annexation will be long deferred. Widespread annexation requires, first, State legislation, and then a unity of purpose in San Francisco, San Mateo, Alameda, Contra Costa and, perhaps, Marin County, and each of their municipalities, before it can be effected. Although it might be advanced by a strenuous campaign, its results would be piecemeal at best, whereas some of the problems that are pressing for solution affect the whole region.

The thought behind the article referred to was that pending the time that *political* consolidation can be realized, an organized means should be developed under which all the communities affected could work together for the common good. The only possible means of so doing is the organization of a metropolitan district for certain specific purposes.

Under existing laws a metropolitan district may be formed of cities and unicorporated territories without regard to county lines, for certain specified purposes. The vote of the communities affected is required to organize such a district, to elect five directors who would constitute the governing board, to authorize bond issues, etc.

Some confusion has arisen as to what is meant by the terms used in the discussions of annexation. "Annexation" and "consolidation" are synonymous, both involving the political amalgamation of two or more municipalities, or other separate political entities. The process of annexation or consolidation would result in a single governing body for the territories annexed.

A "borough" system of government may or may not be a part of an annexation or consolidation plan. The "borough" system simply means that in an existing political unit, or in consolidated territory after annexation, certain "boroughs" or local governmental units are set up with local borough boards endowed with limited powers affecting matters of purely local concern, such for instance, as street improvement work.

A "metropolitan district," on the other hand, need not disturb existing political subdivisions. Within a "metropolitan district" there could be

annexation or consolidation of political units without regard to, or without effect on the district plan. A "metropolitan district" would be a federation of independent political subdivisions for certain definite purposes, which would be stated in the proposal on which the people would vote to create such a district. If a district was organized to develop water projects or other utilities, the powers of the district Board of Directors would extend over the whole district, but only with reference to the matters for which the district was organized.

As stated before, the "metropolitan district" plan has no relation to annexation. In the opinion of the Bureau the quickest way of getting unified action on major problems that intimately concern a number of our neighboring communities is the formation of a metropolitan district that will take in all of the area affected and to be benefited by any one of the projects requiring solution. For those who propose or oppose annexation the matter would be left, after the formation of a metropolitan district, in exactly the same status as before, under which annexation could be urged or opposed, in accordance with the conviction of the individuals or groups on this particular subject.

Tax Rates of Large Cities Compared

The accompanying table shows comparative tax rates for the nineteen largest cities of the country derived from a compilation made by the Detroit Bureau of Governmental Research. The cities shown in this tabulation include all those of 300,000 population and over, according to the 1920 census.

The table segregates the total tax rate as apportioned between city, school, debt, county and State purposes. It also shows the legal basis of assessment in the State in which the city is located, and the estimated ratio of assessed valuation to true value.

On this basis San Francisco, with a 100 per cent *legal* basis of assessment and a 50 per cent estimated *ratio of assessed value to true value,* has next to the lowest tax rate of these nineteen cities. The San Francisco rate is shown as $17.35 per $1,000 of true valuation, or $1.735 per $100. The lowest rate is that of Washington, D. C., $12.19 per $1,000 of true valuation.

The three highest are shown as Newark, $37.60 per $1,000 of true valuation, Seattle, $32.70 per $1,000 true valuation, and Chicago, $29.02 per $1,000 valuation.

San Francisco, being a joint City and County, shows no County rate; the rate raised for county purposes is included in the "city rate" of $21.11 per $1,000 of *assessed* valuation. All California cities are exempt from State taxation, the State raising its taxes direct. A certain class ("operative" property) of assessed valuation of the cities is excluded from local

taxation and reserved for taxation for State purposes.

While the figures are useful as a means of rough comparison, they should be used with caution. They are not conclusive. To quote the Detroit Bureau of Governmental Research: "The resulting rates should afford a basis of comparison, particularly among similar sized cities, while a detailed analysis of certain rates should prove salutary for many cities. The end sought seems such a direct and simple one, yet the compilation of the figures belies the assumption.

"In general, it is well to paraphrase the adage: 'A little knowledge—of tax rates—is a dangerous thing.' The entire table contains warnings to interpret the figures with understanding and use them with caution. In each phase of the compilation distinct problems and conditions arise to affect the final figures. . . .

"Assuming the accuracy of the high rates shown in the table, the question arises, What is the maximum tax rate on property? May we expect local governments to increase the annual exactions from the prevailing 2.5 per cent to as high as 4 per cent?

"The story of good government today is not written in low tax rates. Citizens are coming to recognize that the keystone of good government is the budget, and the tax rate is but one means to that end. Public interest is being directed to the program of services and their cost, and the resulting tax rate is secondary. This is one of the most encouraging signs of progress in our cities today. . . .

1923 Comparative Tax Rates, 19 Largest Cities

	Census 1920—(1,000's)	Assessed Value—Millions	TAX RATE PER $1,000 City	Sch.	Debt	Co.	State	Total	% Legal Ass't Basis and Est. % Assessed Thereof	Rate, $1,000 True Value
New York	5,620	$10,813	$12.73	$ 5.90	$6.98	$0.82	$0.97	$27.40	100- 94	$25.76
Chicago	2,702	1,666	37.90	27.70	.....	7.30	4.50	77.40	50- 75	29.02
Philadelphia	1,824	3,044	17.50	9.50	.....	.....	.....	27.00	100- 90	24.30
Detroit	994	2,110	16.92	5.55	.....	2.27	2.88	27.62	100- 80	22.10
Cleveland	797	1,569	7.15	5.20	6.81	1.56	4.18	24.90	100- 80	19.92
St. Louis	773	984	12.70	8.80	2.20	.....	1.30	25.00	100- 90	22.50
Boston	748	1,678	12.33	8.04	.....	1.49	2.84	24.70	100-100	24.70
Baltimore	734	1,304	29.70	.....	.....	.....	.....	29.70	100- 80	23.76
Pittsburgh	588	929	16.00	11.50	.....	4.75	.....	32.25	100- 85	27.41
Los Angeles	577	997	16.50	16.30	.....	6.80	.....	39.60	100- 50	19.80
Buffalo	507	722	26.84	.....	.....	.....	5.47	32.31	100- 80	25.85
San Francisco	507	615	21.11	6.45	7.14	.....	.....	34.70	100- 50	17.35
Milwaukee	457	677	10.66	8.11	3.85	4.77	1.79	29.18	100- 85	24.80
Washington	438	929	18.20	.....	.....	.....	.....	18.20	67-100	12.19
Newark	415	579	14.31	9.76	4.36	5.23	3.94	37.60	100-100	37.60
Cincinnati	401	740	5.36	6.21	5.48	1.52	4.17	22.74	100-100	22.74
Minneapolis.	381	805	54.40	.....	.....	6.75	4.13	65.28	38-100	24.86
Kansas City	324	570	10.57	11.50	.....	4.30	1.00	27.37	100- 85	23.26
Seattle	315	233	27.87	14.16	.....	12.69	13.41	68.13	50- 96	32.70

"No final conclusions may safely be drawn with respect to the effectiveness of the municipal governments in any of the cities by casual examination of these figures. The mere citation of the influence affecting the tax rates

should dispel any false notions of their value as an index to public economy. There are too many other sources of revenue by governments. One gauge of costs is the reports being issued currently by the Department of Commerce, entitled 'Financial Statistics of the Government of ————.' These sheets give the total cost, revenues, debt and assessed valuation and the per capita figures also are reported.

"It might be suggested that such essential factors as the tendency of cities to pay for public works by special assessments (to the relief of the tax rate but not the citizens at large) cannot be reflected in the table. Similarly, the adoption of the pay-as-you-go policy, followed to some extent by many cities, with the immediate effect of increasing the tax rate but the ultimate effect of economy to the tax payer, is not apparent from the figures."

Important Municipal Events

Cemetery Removal. The Public Welfare Committee on January 7th recommended ordinance requiring the removal of four cemeteries in the City. Consideration of this taken up by Supervisors January 21st.

Eureka Valley Tunnel. Supervisors, December 31st adopted resolution declaring intention to construct the proposed Eureka Valley Tunnel, which, it will be recalled, was substituted for the Duboce Tunnel as a means of rapid transit to the Sunset District. On January 21st the Board of Works filed plans and estimates of cost with the Supervisors. Date of hearing on this not yet set.

Tuberculosis Preventorium. Supervisors, January 14th, directed Board of Health to apply to San Mateo County for permit to establish the tuberculosis preventorium near Redwood City. Resolution pending to purchase 300 acres for this purpose for the sum of $27,250.

Additional Police Officers. Supervisors, January 7th, appropriated $30,960 from the Urgent Necessity Fund to add thirty policemen to the force commencing January 1, 1924; these stated as required particularly for traffic duty.

Authority for School Construction. City Attorney in a written opinion to the Supervisors, January 21st, holds that the recent ordinance passed by the Board prohibiting the Board of Public Works to let contracts for construction, until the appropriation therefor is made by the Supervisors, is void insofar as it applies to school construction, the funds for which have been appropriated in the budget. Opinion states that authority to order construction of such schools rests with the Board of Education. In a supplemental verbal opinion, City Attorney stated that the opinion did not apply to school buildings to be constructed out of bond funds, as he had not been asked for an opinion on that point.

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The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. IV February, 1924 No. 2

The $800,000 Step-Down Station

Developing An East Bay Market for Hetch Hetchy Water

The Bureau Attacked As Unfair on Hetch Hetchy Power

Per Capita Costs
Comparative Per Capita Costs, 1922

Issued by
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The $800,000 Step-Down Station

Inasmuch as the recent proposal of the Supervisors' Public Utilities Committee that $800,000 be appropriated for a step-down and conversion station was re-referred to the Committee without debate, no light was shed on the question of what such an appropriation and the subsequent construction is expected to accomplish.

It will be recalled that the second report of the Citizens' Advisory Committee, on October 22nd last, recommended that the Supervisors take steps for immediate construction of a main step-down and conversion substation; and that on October 29th, the Supervisors, by resolution, instructed the City Engineer to prepare plans and estimates therefor.

On February 11th the City Engineer's estimate of $5,074,800, as the sum required to carry on the Hetch Hetchy work through 1924, was received. A resolution to authorize the sale of the remaining $5,281,000 Hetch Hetchy bonds to finance this work was held up for one week on motion to reconsider. The Engineer's estimate was referred to the Utilities Committee for hearing February 13th; a motion was also adopted, requesting an estimate, for such meeting, of the cost of a step-down station.

At the Committee hearing the Engineer's $5,074,800 estimate was discussed. In answer to questions the Assistant City Engineer stated that a step-down station would cost approximately $800,000; that if the City acquires the P. G. and E. system, the major part of such cost would be wasted by duplication; and that if the P. G. and E. system is not to be acquired, a step-down station would be required for municipal distribution.

Representatives of the Labor Council advocated the building of a step-down station and stated that with such a station, the City could build a dis-

tributing system piecemeal by budget appropriations. The argument was also advanced that with a step-down station constructed, as an evidence that the City is actually in the power business, the people would be more disposed to favor a bond issue for continuing the construction of a distributing system.

The Bureau raised the question as to whether legal opinion had been secured as to the proposed appropriations; that, whereas, the legality of transmission line expenditures out of water bond funds had been debatable, the Supervisors had been definitely advised that distributing system expenditures therefrom would be illegal. It was stated in answer that such an opinion had not been requested, but that the appropriation would be as legal as previous expenditures for power purposes.

A motion to recommend the appropriation of $800,000 for the construction of such a station was then adopted. The matter next came up on the calendar of the next Board meeting, on February 18th.

When the matter was taken up, it was pointed out that under the rules of the Board, the resolution was illegally on the calendar; on motion of the Utilities Committee Chairman, it was re-referred back to that Committee.

The proposed appropriation would be of doubtful legality if made. If the P. G. and E. plant is to be acquired, it would represent a partial waste. Most important, however, should the people refuse to vote the millions required for power distribution, it would be useless. A step-down station is but one of the many elements of a distributing system; in itself it would not deliver a single kilowatt of energy to a consumer.

Members of the Public Utilities Committee and the Citizens' Advisory Committee have stated their opposition to an early election on a power bond issue, on the basis that before such an election, there must be ample time for a campaign of education. If such is the case, it seems highly inconsistent to force the people into the retail power distributing business by legislative appropriation, without waiting for the campaign of education and the subsequent referendum.

We should keep in mind that the only thing approaching a referendum on the power question was the heavy unfavorable vote in November 1922, on Charter Amendment No. 43, designed to remove water and power bonds from the Charter 15% debt limit. Had it been applicable only to water bonds it probably would have carried. A similar amendment likewise failed of passage in 1918. Charter amendments, it is to be noted, require only a majority vote, not the two-thirds vote required for carrying a bond issue. Although not a referendum on a direct and separate power proposition, the vote probably represents a public viewpoint on heavy capital expenditures involved in the pending power question, that is

at least as accurate, as an expression of the popular will, as the views of the proponents of immediate municipal retail distribution.

Developing An East Bay Market for Hetch Hetchy Water

The question of joint use by the whole Bay District of the Hetch Hetchy supply has again been brought to the fore as the result of public discussions as to the best additional source of water for the East Bay district. Authoritative testimony is to the effect that after developing an additional supply from San Leandro, which will suffice the East Bay communities until 1929, the East Bay district will then be confronted with the necessity of developing additional sources. The East Bay Municipal Utilities District, which has been recently formed, and which includes the nine largest communities across the Bay, has stated that it desires for this additional supply a water source that will produce at least 200,000,000 gallons per day. It has also been stated that such a supply may cost from $55,000,000 to $75,000,000, which would probably be exclusive of the cost of the East Bay Water Company's plant.

The Raker Bill, which gave to San Francisco certain rights in Yosemite and Stanislaus National Parks, was passed on the basis that the works to be ultimately constructed would produce 400,000,000 gallons per day, and that such a supply would be adequate for, and would ultimately be used by the whole Bay District. The head works of the Hetch Hetchy water supply are already developed in the mountains to supply 200 M. G. D., and are susceptible, as stated, of ultimate development up to 400 M. G. D. The supply of 200 M. G. D. can be made available in eight years if finances are provided, and, if necessary, the construction program can be expedited so as to make such a supply available in four years. The cost chargeable to water, exclusive of the Bay division, will approximate $53,000,000.

In the opinion of the Bureau of Governmental Research, San Francisco's paramount problem is the completion of its water project, to safeguard its water rights and to protect its already heavy capital investment. There is also the coordinate and additional problem of developing a market in the East Bay and Peninsula districts for the water that will be produced. The Hetch Hetchy development is an "oversized" project to yield a supply based on future needs, and as such has heavy present debt charges which must be met by present taxpayers or rate-payers.

In the opinion of the Bureau there will result a heavy economic waste, from the standpoint of the whole area, if the San Francisco and East Bay communities do not get together for the common use of this Hetch Hetchy water. The development of an independent supply by the East Bay district will mean that both San Francisco and the East Bay district separately and independently will have "oversized" plants, with attendant

heavy debt charges for the present, which both groups of taxpayers will have to support, whereas, by simple business arrangement one plant can be made to suffice for both communities at a saving that will amount to millions for both groups of taxpayers.

The following figures from the Commonwealth Club's Section on Bay Cities Water Supply are illuminating. The 1922 San Francisco water demand, exclusive of wells, amounted to 36.4 M. G. D., the 1922 East Bay demand amounted to 24.1 M. G. D., making a total for both areas, for 1922, of 60.5 M. G. D. Population estimates for 1925 are given as San Francisco 561,000 (estimated by the City Engineer) and East Bay cities 420,000 (estimated by the Water Problem Committee). This is a total of 981,000 for the two districts as of 1925. Twenty years hence, that is, for 1945, it has been estimated that the two population groups will amount to 834,000 and 720,000, respectively, or a total of 1,554,000 for San Francisco and the East Bay region. On the basis of water use of 100 gallons per day per capita, this combined population twenty years hence would require only 155.4 M. G. D.

The Hetch Hetchy present development will, as stated, produce 200,000,000 gallons per day when the connecting tunnels and pipe lines are finished—in eight years or four years, depending on the necessity for speed. This quantity will be more than ample to supply the needs of San Francisco and the East Bay district for more than twenty years ahead, on the basis of the foregoing population estimate. When the supply of 200 M. G. D. becomes inadequate for the two districts, it can be doubled by raising the Hetch Hetchy dam and the Lake Eleanor dam and constructing a dam on Cherry Creek. With such a project in such a stage—there is every reason why the East Bay communities should make use of it.

Perhaps the most potent reason against development of an independent supply from the standpoint of the East Bay water users and taxpayers is, that by such development they would then be in the position of having an "oversized" plant, with heavy debt charges which would have to be carried by water rates or in the tax rates. By joint use of the Hetch Hetchy project the East Bay water users and taxpayers would get the benefit of sharing with a large population in San Francisco the inescapable heavy debt charges of an "oversized" project; on the other hand, the San Francisco water users and taxpayers would enjoy a similar benefit by having their heavy debt charges reduced by these being shared by the East Bay use of water.

Local political phases and community jealousies that may exist between the two districts should not be permitted to prevent what is so obviously a businesslike solution of a large and costly problem. The Bureau is hopeful that the mutually-profitable results will be so obvious that the two districts will be forced to come together on a businesslike solution of their joint problem.

The Bureau Attacked as Unfair on Hetch Hetchy Power

At the Supervisors' meeting of February 18th, Supervisor Welch arraigned "certain organizations," which he stated were unfavorable to municipal ownership and were spreading propaganda aimed to defeat the coming power bond issue. He then referred to the Bureau of Governmental Research, reading an excerpt from an article in the October 1923, issue of THE CITY, which he stated was unfair and misleading and designed to defeat the coming bond issue.

The Bureau, under date of February 21st, replied to the statements. As to whether the Bureau is unfair in its presentation and analysis of any public question depends upon facts and not on opinion; the Bureau is a fact-finding and fact-dealing agency; it does not operate through preconceived opinions on any question, but is content to treat any public question and rest any case on the facts of the matter.

Last October, when the article from which the Supervisor read was printed, no bond issue had been publicly proposed; the article therefore could hardly have been "aimed to defeat the bond issue."

The Bureau's letter to Supervisor Welch under date of February 21st is in part as follows:

"The article from which you read was headed 'Interim Income from Hetch Hetchy Power.' It stated, in substance, that although the Supervisors on September 11th had committed the City to a municipal-distribution policy, and although it might be years before the City could have its own distributing system, no official action had been taken towards providing means of disposing of the power that will be available a year hence; that probably no policy of duplicating existing plants could be carried out, because of this being so apparently an economic waste; that on the basis of failure over a thirteen-year period to purchase Spring Valley (a comparable utility matter), San Francisco might still find itself without its own distributing plant by 1936; that in spite of the emphasis placed on supplying Municipal Railway power, indications are that there would be no saving or profit in this (keeping in mind that the Raker Bill requires Hetch Hetchy power to be sold at not less than cost); and that if the supervisorial policy of not distributing the power through any private agency is to be adhered to, it is essential that definite alternatives be formulated and developed.

"The article concluded with these statements: 'The taxpayers by the end of the current fiscal year will have paid $7,118,724 for interest, and $5,000,000 for redemption of Hetch Hetchy bonds. Hetch Hetchy debt charges for the current year total $2,607,355, and the sum is increasing. The taxpayers are entitled to relief from the tax burden for Hetch Hetchy bonds when the project can be made revenue-producing. If "interim"

income—pending the acquisition of a municipally owned distributing system—can be produced, it is none too early to develop the plans therefor. If, however, the project cannot be made revenue-producing under the terms of the Supervisors' resolution, this should be reconsidered and changed.'

"The Bureau's publications are intended to furnish unbiased information and analyses of municipal questions, of which the power matter is one. In this connection, members of the Citizen's Advisory Committee and your Public Utilities Committee, have stated that there is a great need for sound public information of the facts involved. May we say, also, that during the year's consideration of the power question by the Board of Supervisors it has been considered only in a superficial way. Not until December was it considered with regard to its possible effect on the water problems. Its possible effect on other municpal problems, and the City's immediate or future resources has not as yet engaged the attention of the Board. Nor have there been any definite plans, nor any estimates of probable costs and revenue to support the reiterated statements of large profits to be made under municipal distribution.

"The Bureau has not, as I understand you stated in your speech, attempted to oppose the coming bond issue. It has attempted to show the necessity of carefully formulated plans and accurate estimates. It has attempted to show the effect that large power expenditures may have, for years to come, in retarding water and other projects. It has opposed the proposed legislative appropriation of $800,000 for a step-down station on the grounds of possible waste, and, further, that until the people vote bonds for power distribution, there is no certainty that the additional millions required are going to be provided. If, as has been stated, a campaign of education is required before the people should be asked to vote power bonds, it seems inconsistent to spend $800,000 before such education and the subsequent referendum.

"Needless to say, the Bureau has no interest in the power question, nor in any other matter of municipal concern, other than as a disinterested organization, to ascertain and analyze the facts, and, in co-operation with officials and the public, to seek results based on facts and for the best interests of San Francisco."

Per Capita Costs

In last month's issue of THE CITY the comparative *tax rates* for nineteen of the largest cities in the U. S. were discussed. San Francisco's rate, reduced to the basis of true value of property assessed, was shown as $17.35 on each $1,000—the lowest, except for that of Washington, D. C. It was pointed out, however, that tax-rate comparisons are never conclusive, on account of distinct problems and conditions affecting each, and

that they should be used with caution. It was also stated that the best basis of comparisons between cities was furnished by per capita cost figures compiled by the U. S. Department of Commerce.

The accompanying table shows such per capita governmental costs for San Francisco, and for the next two larger and two smaller cities; Pittsburgh, Los Angeles, Buffalo and Milwaukee. For these, a proportion of county expenditures is included. Per capita costs are perhaps as fair a basis of comparison as can be arrived at, including as they do, all governmental cost payments, regardless of how financed. But, like tax rates, they are also affected by conditions peculiar to each of the cities involved, variations in the functions performed, methods of financing, etc. Los Angeles costs for instance, include the collection and disposal of garbage, which in San Francisco is not a city function; many similar examples of differences could be developed.

The figures for San Francisco are about average, except in the matter of net debt. This amounts to $135.30 per capita, the highest of the five cities named. The next highest in this respect is Pittsburgh, with $123.13. San Francisco's interest charge of $509 is second only to Pittsburgh's $5.94. In the cost of general departments and tax levy, San Francisco, per capita, is the lowest of the cities named.

The high total per capita cost for Los Angeles, $99.34, is principally accounted for by the per capita for outlays—$51.04 against San Francisco's $18.58. This high figure for outlays also accounts for the low percentage of total revenue from property taxes in Los Angeles, a large portion of these improvements being paid for out of bond funds and public utility funds.

In passing, it is interesting to note that the per capita net debt for California governmental subdivisions, as compiled by the U. S. Department of Commerce, and including State, counties, incorporated cities and all other civil divisions, is $142.81. This is exceeded by only two other states, Oregon with $170.69, and New York with $158.15.

Comparative Per Capita Costs—1922

(Compiled from U. S. Department of Commerce statistics)

	Los Angeles	Pittsburgh	San Francisco	Buffalo	Milwaukee
Total per capita cost*	$ 99.34	$ 69.23	$ 63.08	$62.33	$58.55
General Departments	37.14	41.51	35.13	41.99	36.20
Public Service Enterprises	6.60	2.46	4.29	2.63	2.03
Interest	4.56	5.94	5.09	3.48	2.84
Outlays	51.04	19.31	18.58	14.23	17.48
Revenue Receipts	79.81	61.50	57.67	52.97	59.50
Tax Levy**	48.79	51.41	40.66	40.97	42.41
Net Debt	110.59	123.13	135.30	84.01	66.97
Per cent of total revenue from property taxes	56.8	78.0	70.6	67.7	67.5
Per cent of total revenue from licenses	5.0	1.3	3.6	3.2	1.9

*Statistics for Los Angeles, Pittsburgh, Buffalo and Milwaukee include percentage of County transactions based on ratio of City to entire County assessed valuation.

**Exclusive of per capita tax levy for State purposes, for Buffalo and Milwaukee.

The City

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A Review of the Hetch Hetchy Power Situation

Development of Hetch Hetchy—1900 to 1924.

The Proposed Water and Power Bond Issues.

Chronology of Hetch Hetchy Power Developments.

Proposed Plans and What They Involve.

A Sound Business-like Solution.

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San Francisco
Bureau of Governmental Research

58 Sutter Street San Francisco, California

The San Francisco Bureau of Governmental Research is a non-profit making non-political citizens' organization, supported entirely by San Francisco subscribing taxpayers, seeking to ascertain and analyze the facts concerning municipal affairs, and endeavoring to work in co-operation with officials and the public, to achieve the best results in the light of facts and for the best interests of San Francisco.

The City and County of San Francisco operates under a Charter policy of gradual acquisition and ultimate ownership of public utilities. The Bureau's policy on public utility matters, since its organization in 1916, is that, as a fact-finding organization, it cannot concern itself with how a utility is owned, whether publicly or privately, but only with the specific questions of costs, operating policies, service and rates for those utility matters that are projected into the governmental field.

The following, taken from the Constitution of the Bureau, indicates clearly its field and purpose:

"Article 2. Object—The objects of this organization shall be to act as an incorporated, non-political, non-profit making citizens' agency for securing the highest obtainable degree of efficiency and economy in the transaction of public business, particularly in the municipality of San Francisco, through investigating, collecting, classifying, studying and interpreting facts concerning the powers, duties, actions, limitations and problems of the several departments of government, and making such information available to public officials and citizens; and promoting the development of a constructive program for the City of San Francisco that shall be based upon adequate knowledge and consideration of community needs, thereby encouraging economy in the conduct of public business in order that the taxpayers may be assured full return value in services rendered for taxes paid and money spent in governmental cost payments; and further, to do any and all lawful things that may be necessary for or conducive toward the attainment of any and all of the objects and ends hereinbefore expressed."

The Bureau's consideration of Hetch Hetchy since 1916, and its specific consideration of the power problem during the past year, has been in the spirit of the above-quoted article.

A Review of the Hetch Hetchy Power Situation

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The City

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San Francisco Bureau *of* Governmental Research

"An incorporated non-partisan citizens' agency to study public business, co-operate with officials and specifically work for economy and efficiency in municipal affairs."

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A Review of the Hetch Hetchy Power Situation

PART I

Development of Hetch Hetchy—1900 to 1924

Official action for the development of the Hetch Hetchy water supply by the City and County of San Francisco dates back to 1900. The first cycle of development efforts included the selection by the City Engineer of the Tuolumne River as the most desirable source, after engineering investigations of fifteen sources during 1900-01, the filing on Tuolumne and Eleanor Creek waters in 1901, fruitless attempts during the period 1903-1905 to secure for the City a Federal Grant from the Secretary of the Interior for needed lands in Yosemite National Park, and the later abandonment of such filings in 1906.

The second cyle included a grant to Federal lands for water storage, rights of way, etc., from the Secretary of the Interior, under the so-called Garfield permit of 1908. This required that Lake Eleanor and Cherry Creek dams be constructed first, and that Hetch Hetchy dam be not constructed until water supplies from other sources became insufficient. The required ratification of the permit was voted by the people in 1909; a bond issue of $600,000 was also voted to purchase necessary land around Hetch Hetchy and Lake Eleanor, such purchase being required by the permit.

The third cycle was initiated by an order by Secretary Ballinger, in 1909, directing the City to show cause why the most important portions of the Garfield permit should not be withdrawn. The matter was sub-

mitted to a board of U. S. Army Engineers for determination; the City retained John R. Freeman, eminent water-supply engineer, for an independent investigation and report.

Later in 1909, Secretary Ballinger also suggested that the City indicate its good faith by voting a bond issue sufficient for initial development of the Tuolumne sources. In January 1910, the people, by a vote of 32,886 to 1,609 (out of a total registration of 91,026) authorized a bonded indebtedness of $45,000,000 **"for the purpose of the acquisition, construction and completion of a public utility, to wit: a water supply and works to be owned and controlled by the City and County of San Francisco to furnish to said City and County and to the inhabitants thereof, a sufficient supply of water for all purposes, the sources of such supply to be Lake Eleanor, the waters of the Tuolumne River and its tributaries in Tuolumne County, California. . . ."**

In 1912, reports by the Board of Army Engineers and by Freeman were filed with Secretary Fisher, Ballinger's successor. Both reports considered other available sources, and both were favorable to the City's plan of development. The Secretary of Interior, however, was unwilling to take action.

The matter was then referred to Congress and a Congresional grant in the form of the so-called Raker Bill was adopted in 1913. Its provisions differed from those of the Garfield permit, particularly in requiring that the Hetch Hetchy dam be built first; also, where the Garfield permit required no power development, the Raker Bill required the development of 10,000 horsepower within three years after completion of works adapted for the generation of electricity, increasing to 60,000 horsepower within twenty years.

The project which has involved a capital expenditure of $40,000,000 in the Mountain division alone—stated as due to changes in plans required by Raker Bill provisions, and to higher price levels than were prevailing in 1908 when the original estimates were made—has been under construction since 1914. As a by-product of the water development, 93,000 horsepower of electrical energy, stated as equivalent to 214,000,000 kilowatt hours at consumers' meters, will be available for generation in January 1925; $18,000,000 of the $40,000,000 mentioned is charged to power development and transmission.

PART II

The Proposed Water and Power Bond Issues

The questions of policy involved in the disposal of the Hetch Hetchy power were not officially taken up by the Board of Supervisors until, starting in February 1923, the matter was considered during the spring and summer of that year.

By legislative action in September 1923, the Board of Supervisors precipitately committed the City to the policy of municipal distribution of Hetch Hetchy power forthwith, and against any temporary or other arrangement that had been or might be proposed for distribution of the power through the transmission or distribution system of any private corporation.

This action was taken without analysis of the whole situation, without consideration of many weighty factors submitted in a lengthy report by the City Engineer, without consideration of the effect on other necessities of the community with which the proposed policy might diametrically conflict, and without consideration of the City's immediate or future financial resources.

The Bureau of Governmental Research contended, prior to the September declaration of policy, that proper consideration was not being given to facts bearing on the subject; and, subsequent to such declaration, that the action was taken precipitately and without consideration of available information which, if carefully weighed, might have materially changed the conclusions reached.

Subsequently, in December, a division was created in the Board of Supervisors through a tardy consideration of the effect that the power policy might have on the financing to completion of the Hetch Hetchy as a water project. The division resulted in holding up valuation proceedings, which had been initiated as a step toward condemnation of the privately-owned distributing systems, pending a consideration of the sums required for water supply as well as for power distribution.

Bond Issues Proposed—Valuation Authorized

Although at the subsequent hearings, the pertinent questions of expenditures required for water and for power were not settled, substantial agreement on the points of controversy as to procedure was reached. On January 21, 1924, the Supervisors enacted as follows:

(1) The first of a series of ordinances designed to bring before the people a water bond issue.

(2) An agreement to proceed under an ordinance passed last October 1st, toward a bond issue for power.

(3) Withdrawal of the postponement, and subsequent adoption, of

resolutions directing the City Attorney to petition the State Railroad Commission to make a valuation of designated portions of the two privately-owned electric distributing systems.

(4) Two formal resolutions, required by Charter, soliciting offers of sale to the City, of privately-owned water systems and power-distribution systems.

The amounts of the proposed water and power bond issues, and the date of the bond election are to be specified in later ordinances. These questions were not settled at the several committee hearings. The Finance Committee proposed bond issues of $24,000,000 for water and $15,000,000 for power, and urged an early election, prior to April 1st. The Public Utilities Committee was apparently not in favor of the early election as proposed; its position on the suggested amounts of the issues was not stated.

The plan to bring a bond issue before the people prior to April 1st was made non-operative by the Mayor's veto of the resolution soliciting offers of sale to the City of existing power distributing systems "or portions thereof." The Supervisorial proponents of an early election then stated they would attempt to bring the issue before the people soon after the May primaries. On March 3rd, at the request of the Mayor, agreement to defer the proposed election was reached and September 2nd was specified as the election date. In the meantime, a formal report from the City Engineer, specifying the amounts required for power distribution and for water construction, is in course of preparation.

Financial Facts on Coming Bond Issues

It is intended in this analysis to discuss the chronological history of the power matter and the factors affected by the existing power policy; also, to propose a solution of power-disposal and other co-ordinate municipal problems, that, it is believed, will be to the City's interest and advantage from the standpoint of its legal obligations, its financial resources and its pressing needs.

Before these are taken up, a discussion of the coming bond issues,—both as to their merit, as to their relation to the City's financial situation, and as to their effect on the financing of other municipal projects—will probably be of interest.

San Francisco's leeway for new debt is of particular importance by reason of the proposed new capital expenditures for Hetch Hetchy water construction and power distribution, and by reason of heavy capital expenditures involved in other projects which may be of relatively greater importance than immediate municipal distribution of Hetch Hetchy power.

In the last tabulation of comparative bonded debt of cities, compiled by the Detroit Bureau of Governmental Research as of January 1, 1923, San Francisco's net debt was shown as $68,494,800, a *per capita* of $134.72

(based on the 1920 census). This was the fifth highest of the nineteen cities of over 300,000 population included in the tabulation. New York with a per capita net debt of $193.13 was shown as the highest.

San Francisco's net debt, as of next July 2d including ALL bond issues, is estimated as $78,198,000, a PER CAPITA of $130.98 on the basis of 597,000 estimated population. By 1930, additional debt by the sale of the remaining school bonds, and Hetch Hetchy water and Spring Valley bond issues, if voted by the people, will, less redemptions, produce an estimated net debt $138,149,400—$209.32 per capita for an estimated 660,000 population. Assuming an additional $31,000,000 (average of estimates) for a power distributing system and $18,000,000 for additional power plants (stated as required by 1928 if the City goes into the power business) the net debt would be raised to an estimated $187,149,400. This would be a per capita net debt of $283.56, or 116% increase over the 1924 per capita, and 47% higher than that of New York, the highest in the last comparative (1923) compilation.

Bonded indebtedness and future additional debt burden should be considered under two heads—with relation to the Charter 15% debt limit, and with relation to the so-called "New York 7% law."

The Charter 15% limit has relation to the amount of bonds which the City, under Charter restriction, may legally issue and sell. This amount is limited to not to exceed 15% of the assessed valuation of property, plus (1) Exposition Bonds, (2) bonds which may be issued in the future for Market Street Railway purchase—both of which are specifically exempted —and (3) school bonds, which under the State Political Code are probably exempted up to an additional 5% of assessed valuation for elementary and 5% for high schools. The City Attorney has not as yet ruled on the point as to whether school bonds, amounting to $18,275,000, are exempt from the Charter 15% limit.

The so-called "New York 7% law" has relation to a provision of the banking laws of that State, to the effect that when the indebtedness of a community, exclusive of its water debt, shall exceed 7% of its valuation for the purposes of taxation, its bonds and stocks shall cease to be an authorized investment for savings banks. This limits the field of investment of savings banks, and indirectly, trust companies and life insurance companies in that State. Local investment bankers convey the information that bonds not "legal" in New York are slow and difficult to market, even at prohibitive interest rates, particularly if issued in large blocks. This is stated as due principally to the heavy proportion of any large bond issue that must be marketed in Eastern financial centers, and, secondarily, to the fact that many investors in other parts of the country stipulate, to insure negotiability, that their holdings and purchases must be "legal" in New York.

Leeway Under Charter 15% Limit

The City's non-operative assessment roll for 1923 totals $644,180,000. The Charter 15% limit would therefore amount to $96,627,000. The accompanying table shows the City's total bonded indebtedness as of July 2, 1924, as $85,329,000 (both outstanding, and authorized but not yet sold, and after deducting all redemptions provided for in the current budget). Of this, $64,054,000 is considered as under the 15% limit, and $21,275,000 as outside such limit.

The net debt under the 15% limit, (considering that the remaining unsold Hetch Hetchy bonds are to be sold March 24th, and Relief Home bonds are expected to be sold before July 2d next) will be $64,185,000. This will leave a leeway under the Charter 15% debt limit of $32,442,000, as of July 2, 1924. This leeway, with $2,046,600 of annual redemptions and considering estimated annual increases in assessed valuations, will increase by approximately $4,200,000 each year. Including the present leeway, the City will probably be able to issue, during the next ten-year period, approximately $74,000,000 of new bonds (exclusive of Railway purchase bonds which will be exempt) under the Charter 15% debt limit.

Status of Authorized Bond Issues

As of July 2, 1924 (if no further issues are authorized)

Bonds Authorized Under the Charter 15% Debt Limit

Year	Issue	Outstanding	Life	Retired	Annual Redemption	
1904	Park	$ 164,000	40	1944	$ 8,200	
		56,000 unsold				
1904	Library	766,000	40	1944	41,100	
1904	Mission Park	146,000	40	1944	7,300	
1904	Playground	370,000	40	1944	18,500	
1904	Street	162,000	24	1928	40,500	
1908	Fire	4,030,000	40	1955	130,000	
		56,000 unsold				
1908	Garbage	244,000	20	1930	50,000	
1908	Hall of Justice	350,000	20	1931	50,000	
1908	Hospital	800,000	20	1932	100,000	
1908	Sewer	3,000,000	40	1954	100,000	
1910	Geary St. Ry.	950,000	20	1934	95,000	
		19,000 unsold				
1910	Market St. Ry.	41,000	20	1934	6,000	
		*5.281,000 unsold				
1910	Hetch Hetchy	34,719,000	45	1964	1,000,000	
1912	City Hall	7,200,000	44	1960	200,000	
1913	Hospital	800,000	17	1932	100,000	
1913	Municipal Ry.	2,900,000	35	1952	100,000	
		1,900,000 unsold				
1923	Relief Home	100,000	20	1947	(Starts 1928)	(100,000)
		$64,054,000			$2,046,600	

Bonds Exempt from the Charter 15% Debt Limit

1908	School	$ 2,800,000	25	1938	200,000	
1910	Polytechnic	325,000	24	1937	25,000	
1918	School	3,150,000	20	1942	175,000	
1912	Exposition	3,000,000	25	1939	200,000	
1923	School	**12,000,000 unsold	40	1967	(Starts 1928)	(300,000)
		$21,275,000			$600,000	

* To be sold March 24th.
** $5,000,000 to be sold March 24th.

Leeway Under the New York 7% Law

The leeway under the New York 7% law—which, for San Francisco's purposes, may be considered as the "marketable-bond" leeway—limits the net debt, exclusive of water bonds, to 7% of valuation for the purpose of taxation. Seven per cent of the non-operative assessment roll of $644,189,000 amounts to $45,092,600.

The accompanying table shows an outstanding net debt, under the New York 7% law, of $36,298,000, leaving a leeway of $8,794,600. This takes account of the proposed sale, on March 24th, of $5,000,000 School and $5,281,000 Water bonds.

The margin, as shown, may be subject to revision downward, inasmuch as $10,000,000 of the $45,000,000 1910 Water bonds—which, as water bonds, are entirely exempt—has been spent for power which is not exempt. Should this sum be added to the "net debt," the leeway under the New York law would be more than wiped out.

The margin shown, $8,794,600, as will be noticed by reference to the table, will be completely wiped out by the future sale of the remaining $8,900,000 of School and Relief Home Bonds. The margin under this limit will build up at the rate of about $2,600,000 a year. On this basis, and assuming that this controls the marketability of our bonds, we will be limited during the next ten-year period to $26,000,000 of new bonds, exclusive of those voted for water.

Analysis of Debt Under New York 7% Law

Outstanding and authorized, less current year's redemptions		$85,329,000
Less unsold 1904 Library	$ 56,000	
1908 Garbage	56,000	
1910 Market Street Railway	19,000	
1923 Relief Home	1,900,000	
1923 School	7,000,000	9,031,000
Outstanding as of July 2, 1924, assuming no future sales		*76,298,000
Less outstanding Water** Debt		40,000,000
Net Debt, under New York 7% Law		36,298,000
Net General Debt Limit New York 7% Law		45,092,600
Leeway, July 2, 1924, New York 7% Law		8,794,600
Authorized, and available for sale:		
1923 Relief Home	$1,900,000	
1923 School	7,000,000	8,900,000

*Includes $5,000,000 School and $5,281,000 Water bonds, to be sold March 24th.
**Entire 1910 Hetch Hetchy issue considered as "water debt."

The two issues aggregating $39,000,000 that have been proposed by the Finance Committee, would be technically in excess of the leeway, $32,442,000, under our Charter 15% debt limit. The City Attorney has ruled, however, that this limitation operates only against the sale of bonds, and not against their authorization by vote of the people. It is estimated that by July, 1926, the leeway will have been increased to a point to legalize the sale in full of both issues under the Charter 15% debt limit—assuming that they are proposed, and also that they are voted by the people.

The situation is much less favorable, however, under the "marketable" leeway, if the leeway under the New York 7% law can be so considered. As shown in the preceding table the present leeway of $8,794,600 is not quite sufficient to absorb the $1,900,000 of Relief Home bonds which will probably be sold this spring, and the remaining $7,000,000 of school bonds. As stated above, the margin under this law will build up at the rate of only about $2,600,000 a year.

The proposed new WATER bond issue would be exempt under the New York 7% law. A POWER bond issue, however, would not be legal under the New York 7% law unless it displaced school bonds, which would necessitate the withholding of the latter from the market. If not "legal", probably such an issue could be marketed only in small amounts or at prohibitive interest rates. A $15,000,000 power bond issue, such as has been suggested, if proposed to the people and authorized by them, would not become "legal" as to its total amount under the New York law for five or six years—until redemptions and increments, at the rate of about $2,600,000 a year, build up a leeway of $15,000,000.

Resources $135,000,000—Proposals $228,500,000

The Bureau of Governmental Research has urged upon the City—and has frequently advocated as one of San Francisco's greatest needs—the necessity of a "development program," to insure the prosecution of needed municipal projects in an orderly manner, with due regard to the City's financial resources, and with regard to the relative necessity for and merit of the several projects. Only by the enactment of such a program can the waste due to a policy of following expedients be awarded. Only in the consideration of elements of such a program, can the effect of heavy capital expenditures for power or other purposes, be relatively weighed.

The ordinary business prudence and necessity of such a course is so obvious as to require no argument. No public or private business corporation, even assuming it has the funds, can safely proceed without such a plan. And yet, as far as is known, the following compilation, by the Bureau, of municipal projects, taken from official sources and each of which has some degree of official sanction, is the first that has been made.

The list is an approximation only. It does not pretend to be complete; lacking any such program on the part of the City, it is constantly changing. Nor is it intended to imply that all the projects listed should be or will be carried out.

The costs shown, representing City expenditures only, (exclusive of special assessments, which were not settled, are estimated on a basis of half City, half assessment) are in some cases only rough estimates, although in practically all cases taken from official sources. The prices to be paid for Market Street Railway and Spring Valley, even though these are on

the "pay-out-of-earnings" plan, may possibly stand against the City's credit in the same manner as bonds.

The list includes a large number of projects on which there is practical civic and official unanimity. Although incomplete it reaches the staggering total of $228,450,000. Obviously the City cannot finance all of these projects for many years to come.

Major Projects Officially Proposed

(Includes also "continuing" projects over a ten-year period)

	Est. City Cost
UTILITIES	
Hetch Hetchy Water Construction	$ 32,000,000
Spring Valley Purchase	38,000,000
Three City Reservoirs	4,000,000
Municipal Railway, local extensions	2,000,000
Municipal Railway, San Mateo extension	4,500,000
Market Street Railway purchase (average of estimates)	32,000,000
Market Street Railway extensions	3,000,000
Unifying Railway Systems	4,000,000
Market Street Subway	15,000,000
Capp Street Elevated (part)	3,000,000
Power Distribution system (average of estimates)	31,000,000
Additional Power Generating Plants	18,000,000
	$186,500,000
STREET IMPROVEMENTS AND OPENINGS	
Bernal Cut	$ 1,000,000
Rincon Hill, $3,000,000 total	600,000
Capp Street Widening, $6,000,000 total	3,000,000
Panhandle Extension, $3,000,000 total	1,500,000
Van Ness Avenue Extension, $750,000 total	375,000
Civic Center, est.	400,000
Marina, Market Street Extension and other boulevards	925,000
Sunset-Richmond Parkway, estimated	2,000,000
Sunset Diagonal, $1,500,000 total	750,000
Street Reconstruction and Special Street Work	6,500,000
Embarcadero Widening (Market-Sacramento)	500,000
	$ 17,550,000
SCHOOLS, PUBLIC BUILDINGS, ETC.	
Exposition Bldg. at Marina	$ 1,800,000
War Memorial Land	450,000
New Schools, $1,000,000 a year	10,000,000
Miscellaneous Fire, Police and Other Buildings	750,000
Health Dept. Bldg., Civic Center	500,000
Police-Fire Building, Civic Center	500,000
	$ 14,000,000
PARKS, PLAYGROUNDS, ETC.	
Miscellaneous New Park Developments	$ 2,000,000
Miscellaneous New Playground Developments	800,000
Esplanade	400,000
Aquatic Park	500,000
New Mission Park, estimated	1,000,000
	$ 4,700,000
MISCELLANEOUS	
San Jose and Evans Avenue Viaducts	$ 200,000
Reclamation, for Industrial Sites (start only)	2,500,000
Main Sewers, and Reconstruction	3,000,000
	$ 5,700,000
TOTAL	$228,450,000

During the next ten-year period it is roughly estimated that the City's resources for such projects, as a probable maximum, will be, bonds $100,000,000 (Charter-limit bond resources would be $74,000,000 plus railway purchase bonds; "New York limit" bond resources, $26,0000,000 plus water bonds); county road fund, $10,000,000; budget $25,000,000—a total of $135,000,000.

These figures, while speculative, are based on estimates which take account of assessment roll growth, past budget practice, etc. If they are even approximately correct, they represent a deadline, for the placing into two groups of the projects listed below—first, those which can be undertaken in the next ten years; second, those which must wait or, if essential, for which new and additional means of financing must be provided.

It should be noted that only tentative estimates are available of probable costs of the Richmond-Sunset Parkway, and the 200-acre Mission park, proposed by the Park Commission. No estimates are available of the cost of parkways along the City's boulevards, advocated by the Park Superintendent. The Bay Shore Highway, approximately $3,500,000 is omitted, on the basis that this may be included in a new State bond issue; $250,000 is included in the item for boulevards, to cover the additional amount promised by the City for preliminary right-of-way work. The proposed Golden Gate Bridge, $20,000,000 is likewise omitted as a project requiring local public financing, although if this is authorized and is built by a bridge district, it is estimated that the local proportion will approximate 50%. Several smaller projects, such as Civic Center fountains, reconstruction of Beach Chalet, etc., are omitted, due to uncertainty as to cost and financing.

The compilation, although incomplete, is valuable for the purpose of giving relative weight to the various projects. When analyzed into further detail, considering each project with relation to bond, county road, or budget fund financing, it is still more striking; such analysis emphasizes the danger that heavy capital expenditures, blindly made, may hold for San Francisco's development by postponing many important projects for at least ten years.

Water Bonds Are Essential

In the opinion of the Bureau of Governmental Research, San Francisco's outstanding problem is the completion of the Hetch Hetchy water supply. This to insure our own water needs and to protect our heavy investment. These will be seriously threatened if by impairing our financial ability or for any other reason, a long delay occurs in completing the water tunnels, during which period the City returns Tuolumne water to the river below the power house. Co-ordinate with and in addition to the necessity of completing the construction work, is the necessity of developing additional markets, in the East Bay and Peninsula districts, for the water.

The Bureau feels, therefore, that the proposed water bond issue is needed, and that this should carry if San Francisco is not to be seriously hampered. The estimated amount to complete the project to the Crystal Springs reservoir, but not including the acquisition of the Spring Valley system, is $32,000,000. The issue of $24,000,000, as unofficially proposed, is estimated

as the cost to complete forty-eight miles of tunnel through two mountain ranges between Moccasin Creek and Irvington, leaving for future financing forty-five miles of pressure pipe across the San Joaquin Valley. The tunnels, it is estimated, will take six years to bore under a normal program, three or four years under a forced program; the steel pipe ($5,000,000 to $8,000,000 additional, depending on size) about two years to install.

The coming water bond issue, if for $25,000,000 as proposed, would be legal under the Charter 15% debt limit. It would not affect San Francisco's leeway for "marketability" under the New York 7% law, water bonds being exempt.

The necessity for the water bond issue, as the Bureau views it, can be stated as follows:

San Francisco is irrevocably committed to the Hetch Hetchy project by the size, approximately $45,000,000, of our investment. As to its merits, it has the approval, over any alternate water supply, of John R. Freeman, the Board of U. S. Army Engineers and other investigators.

Under State water right laws, cessation of work, especially if long continued, will pave the way for rival appropriators of water to perfect their claims to Hetch Hetchy water after it is "turned loose" at the tail-race of the Moccasin Creek power house. Where there is a conflict of interests, title to water depends upon exercising due diligence, with relation to the size of a project, in putting the water to "beneficial use." Failure or neglect to provide funds is not considered by the courts as a sound reason for excusing failure to exercise due diligence.

According to the City Engineer, Hetch Hetchy water will be required in eight to ten years. With a normal construction program of eight years, it is incumbent to provide funds now.

According to the City Engineer, the Hetch Hetchy development offers the only opportunity for lowering existing water rates, which are stated to be the highest for any large city, excepting only Oakland.

Under the Raker Act, three years cessation of work will jeopardize our rights under that grant.

According to authoritative testimony, the East Bay region will require additional water resources by 1929. Cessation of Hetch Hetchy construction will force these communities to develop their own independent water supply. Continuation of Hetch Hetchy construction will put San Francisco in position to supply East Bay water deficiencies on a mutually-profitable basis.

The Hetch Hetchy development is of a size to supply the whole

metropolitan area; with an ultimate of 400 million gallons daily, it is at present developed in the mountains to produce 200 million gallons daily, whereas it is estimated that by 1945, San Francisco and the East Bay will require only 155.4 million gallons daily. Being an "oversize" project designed for the future, its heavy capital costs will probably not permit of immediate water-rate reductions, if its use is limited to San Francisco alone. If the East Bay region is forced to develop an independent water supply, the opportunity afforded by Hetch Hetchy for mutual profit and industrial expansion of the whole metropolitan area will have been lost forever.

Power Distribution Highly Speculative

The factors affecting the coming power bond issue are not nearly so clear. Although Supervisorial consideration of the question of power disposal extended over the period from February to September 1923 before the municipal-distribution policy was adopted, such consideration was superficial only. No plan of distribution was developed nor considered; no estimates of probable customers, loads, rates, revenues, expenses or similar pertinent data were requested or considered.

The whole case of expected profits from municipal power distribution rests principally on two points—one, statements concerning Los Angeles results, and the other, a cost-of-production of .8824 cents per kilowatt hour at Newark, 35 miles away, used in comparison with rates now paid for residence use of power.

Even today, there is no announced plan, other than to proceed with the valuation of the two privately-owned local distributing systems, such valuation then to be the basis for friendly negotiation, or condemnation. The latter course will probably be necessary for the fixing of severance damages in which case the matter may be unsettled for years.

The Bureau does not agree with two proposals advocated by forceful proponents of immediate municipal-distribution. One is that the two bond issues—water and power—be submitted to the people as a single proposal. Such a course, obviously, would not permit of a clear expression of the popular will. It would in effect be saying, "Take immediate municipal power distribution with water, or do without water." It would destroy the possibility of check by the people on the future handling of both projects. It would permit of legislative diversion of all funds to either project. It would probably throw the $25,000,000 *water* bonds unnecessarily under the New York 7% limit.

The other proposal with which the Bureau disagrees is that the policy of municipal power distribution should be determined by a vote upon a small bond issue, and expanded (with inevitable future and larger bond issues) as growth requires.

To secure a real referendum on municipal power distribution the whole amount that the people will be asked to provide should be submitted to them for their vote. If this amount is, say $25,000,000 the people should be told this and should have the facts necessary for intelligent voting put squarely before them.

To submit an arbitrary figure, which is too low for effective entry into the power distributing field, will only mislead the voters. If such a proposed issue should be voted, we may rest assured that it would be the basis for the submission of future bond issues, necessary to protect the capital investment that had been originally authorized by the people on the basis of a delusion as to the results to be accomplished. If we are to have a bond issue for power, the amount thereof should be approximately the amount that the City must spend to distribute Moccasin Creek power over a municipally-owned distribution system.

The amount of power bonds originally mentioned for submission to the people was $15,000,000. The City Engineer's report of September 11th last, which estimates the cost of a new distributing system under present day prices as $34,000,000 (without standby station) states that the foundation for such a distributing system designed to enter the competitive field would be $15,000,000.

The Railroad Commission valuations, recently authorized, are expected to take at least ten months. The City Engineer, as directed by ordinance, is now engaged in preparing a detailed estimate of the approximate value of those portions of the two systems which the City would require for municipal distribution; this estimate will probably be available early in April, and will be used as the basis for Supervisorial determination of the amount of the issue to be submitted to the people.

The main argument for submitting a power bond issue to the people is that it will secure a referendum as to the popular will on power disposal. The popular will on the expenditure of large sums for power was probably evidenced in November, 1922, when by a vote of 37,061 to 59,410 the people, for the second time, refused to adopt a Charter amendment to authorize the exemption of future water and power bonds from the Charter 15% debt limit. Officials of several organizations which opposed the amendment indicated that they would not have opposed its adoption had it been restricted to future debt for water only.

The thought has been advanced that the use of power bond funds, if voted by the people, for duplicating existing facilities would be a last resort; that with funds available for construction, if necessary, the power companies would be more disposed to sell their whole plants or the elements needed. The soundness of this point of view does not appeal to the Bureau.

The Bureau is of the opinion that a bond issue of $15,000,000, as originally proposed, would not be sufficient to purchase a system adequate to distribute the Moccasin Creek output, and, further, that the power companies would not be disposed to sell piecemeal. The Bureau is also of the opinion that the possibility of duplication—which would be emphasized by a small bond issue, and which in the case of a private corporation would be prevented by the Railroad Commission as an economic waste—should not be encouraged. The Bureau also believes—as the City Engineer's report to the Advisory Committee on October 11th shows—that there is no possibility of economy, lower rates, or profit under the plan of a small bond issue and a partial system; to the contrary, such a course would mean a practical certainty of doubled rates for current to the Municipal Railway, the major power consumer under the "skeleton system" plan.

With the threat of duplication and its consequent economic waste; with the certainty that a "skeleton system" will require higher rates; with the lack of any announced plan for disposing of the remaining 174,000,000 kilowatt hours of electric energy if the 40,000,000 kilowatt hours of municipal power is distributed under a "skeleton system" plan; with the certainty that the first small bond issue for power will be used as a lever for future issues, regardles of merit, under the plea of "safeguarding our investments"; and with the belief that the people should not be asked to commit themselves to the power venture unless they are given some accurate idea of what it will really cost—the Bureau of Governmental Research sees no sound argument for passing the $15,000,000 power bond issue, as heretofore proposed.

As to the merit of a bond issue for the acquisition of a distributing system of ample size to distribute the output of the Moccasin Creek plant, the Bureau will reserve its judgment until such an issue is proposed. Although the Bureau has closely followed all the developments of the power question during the last year, it has not as yet seen any authentic data that justify a belief in the advantages that, it is claimed, will accrue from the municipal distribution of power.

To date, the data has consisted entirely of arguments, speculative in character, based to a considerable extent on the philosophy of municipal ownership and the claimed experience of Los Angeles and other communities. In the absence of plans, estimates, known markets, etc., and faced with the Raker Bill requirement that power must be sold at not less than cost, the advantages of municipal distribution seem to be in a highly speculative stage.

PART III

Chronology of Hetch Hetchy Power Developments

Where Are We Headed?

Supervisor Shannon, Chairman of the Supervisors' Public Utilities Committee, in outlining the purposes of a conference called at his request in the Mayor's office on January 3rd, 1924, stated, 'We want to know particularly how to finance these (power lines, etc.) We want to know where we are headed. According to Supervisor McLeran we are headed for the rocks. If we are, we want to know it.'

The official consideration of Hetch Hetchy power disposal has been unbusinesslike in the extreme.

Until nearly the end of 1923 official consideration seemed to center on the power-matter as something alone and apart. Not until late last December, was official consideration given to the possible conflicting effect of the power policy on the completion of the water project. The probable effect of the power policy on other major municipal projects and on the City's immediate and future resources has not as yet received legislative consideration.

Today, after more than a year's official consideration, and with power delivery less than ten months away, the policy to be pursued is not clearly defined. In the absence of a definite plan, the probable amount of money required is unknown. This despite the fact that Railroad Commission valuation is expected to take one year's time and that condemnation proceedings, if resorted to, will probably require additional years.

With a debt leeway under the Charter of approximately $32,000,000; with the probability, regardless of Charter legality, that not more than $9,000,000 of authorized school or other new bonds, other than water bonds, can be marketed during the current year, except at prohibitive interest rates; with $32,000,000 required to complete the water project, $38,000,000 required to purchase the water distributing system, many other millions required for transportation and other projects, and additional unknown millions required if we go into the power business—there is ample basis for the question, "Where Are We Headed?"

The situation is and has been one requiring a calm and careful official consideration from all pertinent angles. Unfortunately it has not, to date, received this.

February 1923—First Legislative Consideration

It may be of interest to review the proceedings from their inception to

the present time. With the date of delivery of power originally estimated as November, 1924, the question of its disposition was not taken up publicly and officially by the Supervisors until the introduction of the Schmitz resolution on February 13th, 1923, although efforts of interested officials to bring about legislative consideration of the matter were heard of as early as June 1922, and such efforts probably preceded that date.

The Schmitz resolution, designed to establish a policy of municipal distribution to consumers, was referred to the Utilities Committee, which Committee subsequently requested a report from the City Engineer as a basis for properly considering the resolution.

April 4, 1923. The Engineer's report, under date of April 4th, touched upon the power provisions of the Raker Bill; the construction program; the power "crop" in relation to the power needs of San Francisco; the probable cost of delivering power to Newark; the necessity and probable cost of completing Hetch Hetchy as a water project, and the four possible factors of (1) constructing or (2) acquiring a distributing system, (3) selling the power at wholesale or (4) agreement with an existing company, as the City's agent, for distributing the power.

The report concluded with the recommendation that, before making a recommendation as to the policy to be followed, "we learn what terms the power companies will agree to if it should be decided to market our electric energy through them, and whether the Railroad Commission will acquiesce * * * *"

May and June, 1923. Hearing on the Engineer's report was postponed from time to time, due to lack of a quorum, but was finally held on May 9th. The next hearing, after other postponements, was held on June 13th, at which time a report from a committee of the Civic League was filed. This report, later refused adoption by the Civic League, recommended municipal distribution by using $10,000,000 of Hetch Hetchy bond funds to acquire the Great Western Power system, (illegal and funds not available) and the taking over of the Pacific Gas and Electric Company's contract with the Market Street Railway Company.

On June 18th the McSheehy resolution was introduced. This was designed to establish the policy of municipal distribution and to appropriate $5,000,000 of Hetch Hetchy bond funds for acquiring a local distributing system. On the Bureau's argument that 1910 water bond funds could not legally be used for such purpose, the resolution was later referred to the City Attorney, and was not heard of further.

Further committee hearings were held on June 20th, 28th and July 5th.

July—Estimates Requested, Policy Established

July 9th to 26th. At the Supervisors' meeting of July 9th a motion to take the subject matter from committee for consideration by the entire

Board was voted down. On July 16th the Hynes resolution, providing for municipal distribution was introduced, and also the Shannon resolution. The latter directed the City Engineer to secure information on (1) the rates the power companies would pay for the power wholesale: (2) their valuation on such parts of their systems as might be designated by the City Engineer as required for municipal power distribution; (3) whether they would sell to the City on the pay-out-of-earnings basis and what options they would agree to; and (4) the cost of constructing a municipal system.

On July 18th the Utilities Committee lacking a quorum, the two members present recommended that the subject matter be taken up by the whole Board, but failed to secure subsequent agreement of the necessary third member. At the meeting of the Board on July 23rd, a motion to withdraw the McSheehy resolution from committee and have this considered by the Board was voted down. On July 26th at a hearing before the full committee it was decided to consider the matter in executive session on July 27th and to report to the Board on July 30th.

July 30, 1923. On July 30th the Utilities Committee reported to the Board of Supervisors favorably recommending the Schmitz and Shannon resolutions. After considerable debate these were adopted by the Board.

The Schmitz resolution fixed the policy of "establishing of a distributing plant by the City for the purpose of distributing to consumers the power so generated and brought into the City." The Shannon resolution, referred to hereinbefore, directed the City Engineer to report information on the price that the private companies would pay for the power, the value of existing systems, whether these could be purchased out of earnings, and an estimate of the cost of an independent system.

In the opinion of the Bureau of Governmental Research, expressed both before the Utilities Committee and the Board, the two resolutions were conflicting; further, as had been expressed on several previous occasions, neither the Committee nor the Board had acquired sufficient pertinent information to intelligently act on the Schmitz resolution involving municipal retail distribution of power.

The report of the committee on July 30th, the verbal explanation of Supervisor Shannon as Chairman, and the ensuing discussion, stressed the point that the provisions of the Schmitz resolution simply reaffirmed the municipal-ownership policy of the City as laid down in the Charter, and that full and adequate information called for by the Shannon reslution was required before final commitment. An amendment designed to declare the Board as "unalterably opposed" to distributing the power

through any private company was voted down, partly on the basis that its adoption would close what might be found to be the only course open to the City.

Further consideration of the power matter was then put over until the receipt of the City Engineer's report, which was called for within thirty days.

In connection with the Charter municipal-ownership policy to which so many references have been made, the Charter states: "It is hereby declared to be the purpose and intention of the people of the City and County that its public utilities shall be gradually acquired and ultimately owned by the City and County." As the City Engineer has frequently stated, this mandate applies with equal force to street railways, water supply, Spring Valley purchase, and power. Obviously the elements to be acquired and the time of acquisition are not mandated by the Charter, but are subject in each and every case to the determination of the legislative body.

Misinformation and Lack of Information

February 1923 to July: Summary. Of those who presented their views before the committee and the Board at the various meetings held, representatives of the Labor Council, labor unions and district improvement organizations urged municipal distribution. Others, including the City Engineer, the special Hetch Hetchy counsel, the Bureau of Governmental Research, the local Chapter of the American Association of Engineers, the Real Estate Board, the Civic League, the Chamber of Commerce and the Electrical Development League urged the necessity of acquiring full information before determining the matter of policy. The Electrical Development League, the Civic League, and the Down Town Association, expressed opposition to municipal distribution, the latter two on the ground that this would prevent the early completion of Hetch Hetchy as a water project.

Much misinformation was developed in the public hearings on the matter: the question is a big one, requiring the most careful consideration of finances, including capital expenditures and rates. A capital expenditure of $18,000,000 is charged to the works that will bring the power only as far as Newark. The City Engineer's April 4th report stated that the cost of one of the local distributing systems, based on 1915-1919 price levels, would be not less than $17,000,000 (exclusive of any "severance" damages, and cost of additions made since 1919).

The fallacy was developed and persistently urged in the discussions of comparing the rate of 8.824 mills, estimated by the City Engineer as the necessary charge per kilowatt hour at Newark, with the existing rates for residence use of power.

This false comparison has been the basis of one of the two main arguments for the claims of huge profits to be derived from municipal distribution.

The $2,000,000 estimated revenue, based on possible sale of power at Newark was compared with an estimated revenue of $8,000,000 if retailed in San Francisco. It was claimed that out of the difference a profit of $2,500,000 or more would be produced. No data were produced to substantiate either figure; as a matter of fact, on the basis of average rates and quantity of power available for delivery, the $8,000,000 figure is estimated to be at least $2,000,000 too high.

To indicate the reasons for the spread between wholesale and retail rates, an analysis in 1922 by the State Railroad Commission on the basis of electric rates then existing shows an average rate at main substations—including hydro-electric cost, standby cost, transmission costs and losses, general expenses and state taxes—of 9.93 *mills*. This represents the average rate during 1922 to the wholesale power consumer on the system analyzed.

The average rate to the "general consumer" (one having approximately 20 H.P. installed) is given as 1.89 *cents*. The major item accounting for the increase over the wholesale rate is 7.5 *mills*, representing distribution costs and losses.

The rate for the average residence consumer is given as 7.4 *cents*, under 1922 rates which have since been reduced. The major items accounting for the difference between the wholesale rate of 9.93 *mills* and the retail residential rate of 7.4 *cents* are 9.02 *mills* for distribution costs and losses, 4.8 *cents* for consumer costs, inclusive of meter and service costs, commercial expense, and one-half of general expense, and 5.65 *mills* for State taxes.

One argument advanced in the earlier discussions as indicative of the large profits to be expected, was that by the expenditure of an additional $1,350,000, Hetch Hetchy power could be used for Municipal Railway, street lighting and all other municipal purposes, and thus the $800,000 now expended annually therefor would become clear profit. The additional expenditure spoken of is only sufficient for taking over existing plant used along the railway lines for delivering Muncipal Railway power, for which last year we paid $370,000, at a rate of 1.15 cents per kilowatt hour, and the demand for which would consume only one-seventh of the Moccasin Creek output.

It should be apparent, of course, that the profit, if any, would be the difference between the present rate of 1.15 cents and the rate that the

City would have to charge. With a cost of power at Newark of 8.824 *mills,* plus the cost of carrying the power from Newark to San Francisco and the cost of operating various units of plant for actually delivering power to the Municipal lines, there is a real question as to whether there will be a profit, or a loss. The City Engineer has shown that under the "skeleton system" plan, the rate for railway power would have to be 2.2c instead of the present 1.15c, and that the higher rate would add more than $291,000 per year (nearly 10% of gross revenues) to the operating cost of the Municipal Railway.

The "Unalterably Opposed" Policy of September 11th

The "shaping-up" process of the Hetch Hetchy power policy has been detailed in the preceding pages, from its inception in February 1923, to July 30th. Continuing the chronology, and recalling the statements of July 30th, and subsequent interviews, it seems evident that the weight of the facts expected in the City Engineer's report diminished very materially between July 30th, when the report was called for, and September 11th, when it was received. During this interim, an aggressive campaign was launched, starting August 29th, by one of the morning and one of the evening dailies, in the interest of immediate municipal distribution of the power, and in opposition to any proposition temporary or otherwise, for disposing of the power to, or through the lines of any private corporation.

September 4th. On Tuesday, September 4th, another "unalterably opposed" resolution was introduced before the Board of Supervisors. Consideration of this was postponed, pending receipt of the City Engineer's report, which on September 4th, was promised for the meeting of September 11th.

September 6th. On September 6th, an interview with the City Attorney was published to the effect that the Charter 15% debt limit permitted a debt of $137,500,000 instead of the commonly-accepted $96,600,000. The higher figure was stated as based on the assessed value of *all* property in the City. Under the State Constitution, as amended in 1910, however, only non-operative property (on which the $96,600,000 figure is based) is subject to local taxation. That this is considered by City officials as controlling, is indicated by the three unsuccessful attempts to amend the Charter, in 1918, 1920 and 1922, to remove water and power bonds from the operation of the Charter 15% debt limit.

September 11th. On September 11th the City Engineer's report, twenty pages in length, was received by the Board of Supervisors, and was read by the Clerk. Immediately upon completion of the reading, Supervisor Shannon introduced and read a resolution previously prepared and signed by himself and Supervisors Morgan, Mulvihill and Schmitz of the Utilities Committee, and Supervisors McLeran, McGregor and Rossi of the Finance Committee.

The resolution declared "that the Board of Supervisors is unalterably and unequivocally opposed to the policy of entering into any contract, lease or agreement of any kind or character for the distribution of Hetch Hetchy power to or through any private corporation." It further declared the policy, to be put into effect without delay, of absolute municipal ownership and direct municipal distribution of power to consumers; also, that negotiations for the purchase of an existing distribution system, preferably that of the Pacific Gas and Electric Co., be conducted by an advisory committee of five citizens to be appointed by the Mayor. The resolution also directed the City Engineer to complete the Moccasin Creek power house and the transmission system to a point within the city limits without delay, and to prepare plans for a complete municipal power distribution system capable of supplying all local consumers.

In urging adoption of the resolution, Supervisor Shannon stated that under the Raker Bill any contract or agreement of any kind for the sale or distribution of power would jeopardize the City's Hetch Hetchy grant and would result in years of litigation; and that the purport of the resolution was in opposition to any agreement of any sort with any public utility corporation for any period, no matter how short.

The long awaited report of the City Engineer was neither considered nor discussed. The ensuing three-hour discussion, before the resolution was adopted, centered around the parliamentary position of the resolution, and the provision therein for the appointment of a citizen's committee of five, to conduct purchase negotiations.

The City Engineer's Report of September 11th

The City Engineer's report of September 11th, called for by the Shannon resolution adopted by the Board July 30th, is a mine of information essential for careful consideration of the problem as a basis for the evolving of a sound policy. Briefed, it is essentially as follows:

'The 1910 bond issue, proposed and voted under conditions imposed by the Garfield permit of 1908, did not comprehend municipal power distribution.

'When construction started in 1914, increased costs early made apparent the impossibility of completing the project within the $45,000,000 estimate. Careful study led to the conclusion that the Mountain Division, including the power plant, should be completed as a unit, to derive power revenue for carrying interest charges on the cost of the entire Mountain Division, thus facilitating the financing of the aqueduct to completion.

'The present power development will have a capacity of 70,000 kilowatts, equivalent to 214,000,000 kilowatt hours at 50 per cent load factor, for delivery to consumers; ultimate Hetch Hetchy development, (three plants) 173,000 kilowatts and 530,000,000 kilowatt hours at 50 per cent load factor, for delivery to consumers. A conservative estimate of the 1925 power demand is 474,000,000 kilowatt hours of which the present Moccasin Creek development, available in 1925, will equal only 45 per cent. Assuming complete municipal distribution, the deficiency would have to be made up from other sources, preferably a steam standby station.

Extensions $2,000,000 a Year—New Plants $18,000,000

'Assuming an adequate distributing system, and the Moccasin Creek output supplemented by other sources to supply 1925 demand, each year thereafter will require an additional $2,000,000 for extensions to the local distribution system alone.

'The growing demand for power will require the immediate construction of other Hetch Hetchy generating plants, which will cost $18,000,000 and will be needed by 1928. These sums cannot come from power revenues, except in small part, so must largely come from further bond issues.

'The Charter mandate providing for the gradual acquisition and ultimate ownership of utilities, applies with equal force to street railways, Hetch Hetchy water supply (an additional $32,000,000), Spring Valley purchase ($38,000,000) and the distribution of power.

'Local water conditions demand immediate relief. San Francisco's average rate of 29 cents per 1,000 gallons is the highest of any large city. The expenditure of $32,000,000 to complete Hetch Hetchy will supply relief. Three large close-in reservoirs of 300,000,000 gallon capacity are urgently required. The twenty-two mile Bay Division, under construction and to be completed in December, 1924, will provide an adequate supply for ten years, by which time the main aqueduct should be completed.

'Power development costs and water requirements are essential elements in considering our present financial ability for the immediate municipal distribution of power. Whenever the City goes into the power distribution business it must be prepared to take care of the future growth in power demand and must concurrently complete its water supply system, to protect basic water rights on the Tuolumne River and to insure an adequate water supply at reasonable rates for all time.

'Statements from power companies indicate their willingness to act as the City's agents in marketing power, at figures to return $2,000,000 to $2,150,000 annually to the City. The companies cannot state, nor determine within a reasonable time, the valuations for sale of their plants.

Neither company states whether it would be willing to sell if the price were known.

'Neither company is willing to sell on the pay-as-you-go plan, "it being apparent from the statement previously made in this report that it is not possible to take care of necessary extensions of service and increase in power development from the revenue alone, to say nothing of paying off the capital cost of the property."

Power Distribution System, $45,000,000

'The cost of an independently constructed distributing system including step-down and distributing substations, is estimated as $34,500,000; steam standby station $6,000,000; street lighting equipments $4,500,000—a total of $45,000,000.

'The construction of a complete independent system, under competitive conditions is not practicable, by reason of commanding no market to receive all of the power. The necessary initial outlay for a partial system under competitive conditions to serve municipal requirements and to enter down town business and industrial centers without serving residential districts is estimated as approximately $15,000,000. There can be no argument for an independent system in a competitive field, as against acquiring existing systems with their developed markets, except as a last resort.

'An independent valuation of existing systems will be necessary; the Railroad Commission is best qualified to make such a valuation. The City Attorney should be instructed to bring suit for both companies' systems, necessary to serve all San Francisco. Under this procedure the Railroad Commission will make a valuation. Suit for decree of condemnation, based on such valuation, would then be brought. When the decree is obtained a bond issue to cover the cost could be submitted to the people.

If the City distributes Moccasin Creek power direct to the consumers it should take over entire distribution within City and purchase additional power required, so that all districts may share in whatever benefits may be derived, and to avoid complications from divided ownership of systems required for common use.

'The time to acquire possesion under condemnation proceedings is impossible to state. If it appears that possession cannot be obtained for a long period after the completion of Moccasin Creek plant, an arrangement should be made, pending possession, for marketing the power through existing companies, or in any other possible way. "Failure to provide for such temporary disposal of the Moccasin Creek power output when the plant is ready for operation, will, on the basis of the offers made

by the power companies, subject the taxpayers of San Francisco to an annual loss of not less than $2,000,000."

Solicitor of U. S. Department of Interior Suggests "Agency"

September 17th. The Bureau of Governmental Research on September 17th forwarded a communication to the Supervisors in the form of ten questions designed to bring out the lack of consideration of information before the Board when the policy was fixed on September 11th. The communication, which urged reconsideration of the action previously taken and careful analysis to all pertinent factors was referred to the Public Utilities Committee, where no action was taken on it.

Also on September 17th, the next meeting subsequent to that at which the City Engineer's report was received and the "unalterably opposed" resolution was adopted, the initial ordinance as required by the Charter for the condemnation of the two existing distributing systems, was introduced. This declares the necessity for the acquisition or construction of a distributing system, and directs the Board of Public Works to submit plans and estimates of original construction of a complete system and original construction of the Great Western and Pacific Gas and Electric local systems. This was submitted to and approved by the City's bond expert, Judge J. C. Thompson of New York City, and was thereupon passed to print September 24th, and finally passed October 1st.

October 3rd. The Solicitor of the U. S. Department of the Interior in an opinion made public in Washington, October 3rd, held that under the Raker Bill, Section 6, the City is prohibited from selling power to a private corporation. To avoid waste of electrical energy, he recommended an agency contract, stating as follows:

"It seems reasonable to suppose that the grantee (the City) may find obstacles in its way * * * and to avoid waste of this surplus (electric) energy, it is quite desirable that the existing means of transmision be availed of until such time as the supply becomes sufficient to justify the taking over of the present system, or the construction of a new one. But, instead of selling this power for resale and distribution as has been done and as further proposed, it occurs to me that it would be feasible for the parties to agree upon terms by which the grantee would have its power transmitted over the lines of the concern owning or controlling the existing distribution system. This method would avoid conflict with the provisions of the law and apparently would accommodate the grantee to the existing conditions of the project * * *."

October 5th. The City's special Hetch Hetchy counsel in a statement issued October 5th, stated that the Solicitor General's opinion was not in

conflict with any plan which had been proposed for the disposal of the Hetch Hetchy power. The statement referred also to the California Supreme Court decision in the case of the City of Los Angeles, where a temporary distribution arrangement pending the City's acquisition of a distributing plant was upheld by the Court as an agency contract not in violation of Charter provisions prohibiting sale of power to private corporations.

It is of interest to note that despite the many public discussions of and lay opinions on the legality or illegality of a wholesaling or agency contract for the disposal of Hetch Hetchy power, the Supervisors have not requested, nor had a formal opinion on the subject from their constituted legal advisor, the City Attorney.

Reports of the Citizens' Advisory Committee

In accordance with the terms of the Supervisors' September 11th resolution, the Mayor appointed as the Citizens' Advisory Committee Hon. Jas. D. Phelan, Chairman, and Hon. Matt. I. Sullivan, C. H. Kendrick, Henry Boyen and Judge Frank J. Murasky.

October 8th. The committee submitted its first report to the Supervisors on October 8th. This touched upon the refusal of the Pacific Gas and Electric Company to negotiate with the Committee for the sale of its system, and the continuation of conferences with Great Western Power Company officials. The report recommended that the Supervisors advise the Railroad Commission of the City's intention to purchase the existing systems, and to ask that the City be notified on any move for the consolidation of these. The Supervisors communicated with the Railroad Commission as suggested.

On October 8th a resolution was introduced before the Supervisors directing the Board of Public Works to proceed on the construction of a transmission line from the Moccasin Creek plant to the County line. This was referred to the Utilities Committee. (The line was being constructed to Newark under a general ordinance.) A resolution was also introduced the same day directing the City Attorney and the City Engineer to report to the Supervisors on the proper procedure for carrying out the policy of municipal distribution. This also was referred to the Utilities Committee.

October 11th. The City Engineer, under date of October 11th, communicated with the Advisory Committee answering ten questions submitted to him two days previously. Cautioning the Committee that detail figures on the estimates requested would involve several months' work, and that the figures given were approximate and should not be used except for preliminary discussion and not in any event in recommendation for appropriations or bond issues, he stated:

1. Cost of distributing plant to supply Municipal Railway power; $2,318,000 exclusive of standby plant.

2. Same as No. 1, plus public buildings convenient to railway substations; $2,468,000, Civic Center group only.

3. Same as No. 2, plus street lighting convenient to railway substations; $400,000 additional, to include "Path of Gold," Triangle, Fourth Street and Van Ness Avenue. Present cost of service $81,000.

4. Distributing system to supply railway, all public buildings and street lighting; $8,500,000 including circuits to connect with railway sub-stations, taking over street lights and lamps and securing joint use of poles.

5. Standby plant; $2,150,000; without standby for lighting system, $2,000,000.

The report also stated that on the basis of an independent distributing system for railway power, together with necessary steam standby, and allowing only ½ cent per kilowatt hour for alternating current at the County line, Hetch Hetchy power (due to sole operation of substations for railway power only) would cost 2.2c per kilowatt hour for railway use, as against the present rate of 1.15 cents.. Securing standby service from private companies would reduce rate to 1.98c, which would represent an additional annual cost to the Municipal Railway of approximately $291,000.

October 22nd. On October 22nd a second report was received by the Supervisors from the Advisory Committee. This stated that negotiations had been continued with the Great Western Power Company, that the company was making a valuation of its plant, and would soon have data on its valuation for purposes of sale.

The report advised that the disposal of Hetch Hetchy power to a private corporation for purposes of resale is forbidden by law, and that under the Raker Bill the City is mandated to distribute the power to its own people.

Stating that the problem centered entirely upon the acquisition of the necessary distributing system, the report recommended that the City without delay apply for and secure valuation by the Railroad Commission of selected portions of the local properties of both companies that may be determined to be necessary for the distribution of the Hetch Hetchy power. The report stated that while the Committee does not specifically recommend the purchase, the valuation is essential as a basis for friendly negotiations and, in case of refusal to sell or negotiate, the valuation must be accepted as final and conclusive by the Court in any suit brought by the City to condemn the property.

The report referred to the interim likely to occur between the

production of power and the acquisition of a distribution system, and stated that while revenue from the power during the interval is to be desired, the proposal of employing a private corporation as the City's agent is strongly condemned, as this "would be doing by indirection that which cannot be directly done under the terms of the grant."

The Committee recommended, finally, that the transmission line be immediately brought to San Francisco, and that the Board take steps for the immediate construction of a main step-down and conversion substation at the western terminus of the line.

Initiation of Valuation Proceedings

October 29th. On October 29th the Supervisors, pursuant to the Advisory Committee report, adopted three resolutions, one instructing the Engineer to make surveys and prepare specifications for a high-voltage substation to be constructed by the City at the County line, the other two instructing the City Engineer to prepare descriptions of Pacific Gas and Electric, and Great Western Power properties required by the City for its power purposes. The latter also instructed the City Attorney upon receipt of these descriptions to prepare a petition declaring the City's intention to acquire by condemnation proceedings or otherwise.

On October 29th a resolution was introduced and referred to the Utilities Committee in which the City Attorney's opinion was asked on the following questions: Can the City condemn privately owned systems in the City now being used for the same purpose for which the City will require them?. If so, can the City condemn only that portion of the system inside the City, or must it condemn all of the system used for that purpose? If condemnation can be confined to property within the City, will the private owners of such property be entitled to severance damages on account of effect on balance of the system? Report on this has not as yet been submitted to the Board.

December 11th. Under date of December 11th the San Francisco Chapter, American Association of Engineers, in a lengthy report, concluded that the real issue is not municipal as against private distribution, but rather whether Hetch Hetchy is to be abandoned as a water project and become solely a power project. The report recommended that municipal power distribution be not undertaken until after the main water project has been completed. The report was referred by the Board to the Utilities Committee, and by that body to the Advisory Committee.

December 17th. On December 17th reports from the City Engineer and City Attorney were filed with the Supervisors. These described the properties of each of the privately-owned companies that might be required

by the City for municipal distribution of Hetch Hetchy power. Two suggested resolutions, each applying to valuation and condemnation of one company's system, were introduced, declaring the intention of the City to initiate proceedings to acquire by condemnation or otherwise the property of the named company and to submit to the voters a proposition for the acquisition of such property. The City Attorney is directed in the final paragraph of each resolution to prepare and file with the Railroad Commission a petition for valuation, also to prosecute proceedings to complete such valuation. The resolutions were referred to the Utilities Committee and favorably recommended by the Committee on December 19th.

First Consideration of Power With Relation to Water

December 19th. During consideration of the valuation resolutions by the Utilities Committee on December 19th, the question of possible effect on the water project of proceeding with the power project was brought up. After considerable discussion it was the sense of the committee that the Mayor should be asked to hold a conference with the Utilities Committee, the Citizens' Advisory Committee, the Finance Committee, the City Engineer and the City Attorney, at which the questions of finance, valuation and construction procedure could be thoroughly discussed, and a policy relative thereto decided upon.

December 24th. On December 24th, the two valuation resolutions were "passed to print." Members of the Finance Committee, in opposing the resolutions stated that with the completion of the 1924 program, the Hetch Hetchy bond fund would be exhausted; that therefore, the City, at the earliest possible time, must bring before the voters a $32,000,000 bond issue for completing the ninety miles of Hetch Hetchy water construction; that passage of the valuation resolutions would operate against the success of such a bond issue; and that the valuation would cost about $100,000, which was not available in the treasury for this purpose.

December 31st. On December 31st, Supervisor Shannon, as Chairman of the Utilities Committee presented a resolution, which was adopted, requesting the Mayor to call a conference on January 3rd, to consider the Hetch Hetchy problem, and to adopt a program thereon.

On the same date, Supervisor McLeran presented a communication which was referred to the Utilities Committee and which has not as yet been reported out, directing the Clerk to send a communication to the Pacific Gas & Electric Company, inquiring what it would charge per kilowatt hour for conveying Hetch Hetchy power through its system for municipal purposes, and for such other uses as were formulated by the Supervisors. The proposed communication stated that if such an arrange-

ment could be effected it was proposed that a proper contract containing terms, agreements and tenure should be entered into.

January 3, 1924. At the conference in the Mayor's office Thursday evening, January 3rd, it was stated that with an unencumbered balance of only $1,000,000 in the Hetch Hetchy bond fund there were not sufficient funds to proceed with a step-down station as recommended by the Advisory Committee. Supervisor McLeran urged the necessity of an immediate $32,000,000 bond issue for completing the water project and suggested that $3,000,000 or $4,000,000 might be added to this for power purposes. Members of the Advisory Committee were not in accord with the plan of an early power bond election, one member stating that if it was not held until the power was available, the people would be more likely to vote bonds to prevent waste of the power. It was stated that the City's leeway under the Charter debt limit is approximately $12,000,000. After discussion of the contractual agreement relative to Market Street Railway power, Supervisor McLeran abandoned his previous suggestion that the City make an arrangement for supplying this power as one of the means of disposing of the City's power "crop."

Both the City Engineer and the City Attorney referred to the necessity of safeguarding the City's water rights by prosecuting construction with due diligence. Mr. Boyen of the Advisory Committee advocated a tax levy each year for carrying on the construction; according to the City Attorney this would require a Charter amendment. According to Supervisor McLeran and the City Engineer, the major operations consisted of two tunnel units of seventeen and thirty-one miles respectively, involving $8,500,000 and $15,500,000 contracts, which could not be carried on piecemeal or by year-to-year appropriations.

The City Engineer reported that a bond issue of $10,500,000 would be required to take care of the "skeleton-system" program along the lines recommended by the Advisory Committee. The Assistant City Attorney pointed out the necessity of a Railroad Commission valuation regardless of whether the properties were purchased by negotiation or condemnation.

The meeting adjourned without a decision on any of the factors discussed.

January 7th. On Monday morning, January 7th, at a special (and the last) meeting of the old Board of Supervisors, a resistance to the pressure for precipitate action was displayed, resulting by a vote of 11 to 7 in an eight-weeks postponement of action to "finally pass" the two resolutions designed to bring about Railroad Commission valuation of the two local privately-owned power distributing systems.

At the same meeting a resolution by Supervisor McLeran was adopted

directing the Finance Committee and the Public Utilities Committee to confer, and report not later than January 21st, on the amount of money necessary to effectively carry on the water project, and the sum necessary to establish a municipal hydro-electric distributing system.

Bond Issues Proposed

January 9th. The Finance and Utilities Committees met January 9th to confer in accordance with the above resolution. At this meeting Supervisor Rossi presented two new ordinances: one declaring the necessity for construction of tunnels for the Hetch Hetchy water project and directing the Board of Public Works to prepare and file plans and estimates of cost; the other declaring the necessity for acquisition or construction of a distributing system and standby plant for marketing Hetch Hetchy electrical energy, and directing the Board of Public Works to prepare and file plans and estimates of cost of (1) construction of a distributing system and standby plant sufficient for distributing Hetch Hetchy power, (2) such portions of the Great Western Power Company's system as are required by the City, and (3) such portions of the Pacific Gas and Electric Co.'s system as are required by the City. The two ordinances were stated as representing the necessary first step of proposals for a bond election in March for $24,000,000 for construction of water tunnels, and $10,000,000 to $15,000,000 for an electric distributing system. A motion to refer these to the City Attorney for approval as to legality was defeated.

January 10th. The second meeting of the joint Committee was held January 10th, but adjourned without action to await answer of Judge Thompson, the City's New York bond expert, to the City Attorney's telegram as to legal form of ordinances.

January 14th. The third meeting of the joint Committee was called for Monday morning, January 14th; the Utilities Committee did not attend. The Finance Committee sent the above mentioned ordinances to the Board of Supervisors without recommendation, together with a telegram from Judge Thompson approving of their legal form. These were ruled to be illegally on the calendar and were re-referred to the joint Finance and Utilities Committee. The Supervisors recessed to January 16th to receive the Committee's expected report.

The Supervisors on January 14th by vote of 10 to 8 refused to rescind the action of January 7th in postponing final passage of the two resolutions designed to bring about valuation of the two local power distribution systems.

January 16th. On January 16th the joint Committee discussed the written report of Judge Thompson, just received, with reference to the proposed Rossi ordinance, declaring the necessity for the construction or acquisition of a power distribution system, and the similar McSheehy ordi-

nance passed October 1, 1923. Adjournment was then taken to January 18th and the recessed meeting of the whole Board for the 16th was called off.

January 18th. On January 18th, apparently after an executive session on the matter, the joint Committee met and decided (1) to recommend the Rossi ordinance relative to water construction, (2) to file the Rossi ordinance relative to a power-distribution system, (3) to base future power bond proceedings on the McSheehy ordinance of October 1st, (4) to recommend two formal resolutions, required by Charter, soliciting offers of sale to the City of existing water supply and power distributing systems, and (5) to recommend the "final passage" of the two valuation resolutions which, on January 7th had been postponed for eight weeks.

It is to be noted that the joint Committee did not reach agreement on the task assigned, that is the determination of the amounts necessary to carry on the water project, and to establish a municipal power distributing system. The Finance Committee urged the passage of the initial legislation by January 21st, for the purpose of holding a bond election before April 1st, when the 1922-1923 registration lists would expire, and, in the discussions, referred frequently to a $24,000,000 issue for water and $15,000,000 for power. Although both the amounts and the dates would have to be specified in later ordinances, neither was agreed to nor specifically discussed by other members of the joint Committee.

January 21st. At the Supervisors' meeting of January 21st, following the joint Committee's report, the Board passed the initial ordinance to bring a water bond issue before the people, also the two resolutions soliciting offers for the sale to the City of existing water and power systems; and, after rescinding previous action postponing the valuation resolutions for eight weeks, passed these resolutions. Supervisor McLeran announced that a bond election could be held before April 1st without waiting for the Railroad Commission's valuation, and that the date of election and amounts of the bond issues would probably be determined February 11.

Bond Election Deferred

The Mayor announced the next day, January 22nd, that due to a flaw, he would return the various resolutions to the Board for correction. According to the press this action was based on the objection of Judge Sullivan, of the Citizens' Advisory Committee to the fact that the formal resolution soliciting offers of sale to the City of an existing power system was defective and would jeopardize a bond issue, in that it provided for the sale of an entire system "or portions thereof."

The City Attorney, sustained by the telegraphed opinion of Judge Thompson, stated the resolution as passed was legal and in conformity with Charter utility provisions. He also stated it conformed with previous practice under which the Municipal Railway bond issues were voted.

January 28th. At the meeting of the Board, on January 28th, the Mayor announced that pending decision as to legality (the matter was then being taken up with Judge J. C. Thompson of New York, the City's bond expert) he would not sign the various ordinances and resolutions. After a lengthy discussion of the legal phases, and charges of bad faith in attempting to give preference to the valuation proceedings over a bond election, the Supervisors adjourned to February 1st, for which date a special meeting was called at the Mayor's request, to be held to discuss future procedure.

The Supervisors "finally passed" the ordinance declaring the necessity for construction of the Hetch Hetchy water tunnels, and directing the Board of Public Works to prepare and file plans and estimates of cost.

An appropriation of $591,000 from Hetch Hetchy bond funds for transmission towers and insulators was laid over one week. The Utilities Committee urged that this be paid out of the Hetch Hetchy "Operative Revenue" fund, which has been built up principally from Hetch Hetchy Railway revenues, and which now totals approximately $1,170,000. The Finance Committee opposed this, the Chairman stating that this fund is being held to pay interest charges which are now at the peak, and that the remaining Hetch Hetchy bonds, $5,281,000, must be sold within the next few weeks to carry on the work. The appropriation was voted from bond funds at the next meeting.

February 1st. On February 1st, the Mayor announced that he had called off the special meeting, and that he had signed the various ordinances and resolutions, with the exception of the resolution soliciting offers for sale to the City of existing power systems. He stated that he had vetoed this on the ground that, under Charter procedure it was premature and should not be passed until the City Engineer's formal estimate of the probable cost of a power distributing system had been filed.

$800,000 Step-Down Station Urged in Advance of Bond Issue

February 11th. At the meeting of the Board on February 11th, the Mayor's veto of the resolution soliciting sale to the City of existing power systems was sustained.

In response to a previous resolution the Board of Public Works filed a report with the Supervisors stating that the funds required for Hetch Hetchy construction from February 1st to the end of 1924 would approximate $5,074,800. On the basis of this estimate, the Supervisors by resolu-

tion ordered the remaining $5,281,000 of Hetch Hetchy bonds to be sold; the resolution was held up for one week on motion to reconsider. In discussion of the motion to reconsider, the fact that the City Engineer's estimate did not include any amount for a step-down station was criticised. The estimate was referred to the Public Utilities Committee for hearing on February 13th, and a motion by Supervisor Welch was adopted directing the City Engineer to file his estimate of the cost of a step-down station.

February 13th. On February 13th, the Utilities Committee, after canvassing the details of the Engineer's estimate, passed this. The Assistant City Engineer stated that a step-down station would cost $800,000 and would be largely a wasted expenditure if the City is to purchase the Pacfic Gas and Electric Company's system. The Secretary of the Advisory Committee, and representatives of the Labor Council stated that if a step-down station is constructed the City would be in better position to have the people vote the bonds to extend the system, and would be in position to extend the system by annual budget appropriations. The Public Utilities Committee then adopted a motion recommending the appropriation of $800,000 for the step-down station.

The question of legality of such expenditure was raised by the Bureau. In reply, it was stated that while an official legal opinion had not been secured, the proposed appropriation would have the same justification in law as previous expenditures for power and power transmission, out of 1910 Water Bond funds.

February 18th. At the meeting of the Board on February 18th, on recommendation of the Public Utilities Committee's Chairman, the proposed resolution was re-referred to the Committee on the grounds that it was not in the shape that the Committee wanted it. Communications were before the Board from the Chamber of Commerce and the Bureau opposing the proposed appropriation; these were referred to the Public Utilities Committee with the resolution.

Present Legislative Position of the Power Matter

On February 18th the City Attorney submitted a communication from the Railroad Commission stating that the approximate cost of securing the valuation of the Pacific Gas and Electric and Great Western local power distributing systems would be $80,000, and requesting an appropriation of $5,000 to cover expenses for this work up to July 1st. The City Attorney recommended that an Assistant City Attorney be appointed as special counsel to represent the City in the valuation proceedings for a period of ten months; a resolution was introduced so providing, and fixing the salary of such special counsel at $850 per month. This was referred to the Finance Committee.

The regular meeting of the Public Utilities Committee scheduled for Wednesday, February 20th, was not held. At the meeting of February 27th the proposed resolution for a step-down station was laid over for two weeks.

February 25th. At the Board meeting of February 25th, the Mayor in discussing a proposed leave of absence, from March 26th to May 26th, stated that he would not take such leave unless the Board would agree not to bring up a bond issue until his return; he further stated that the best time for such an issue would be in August or September.

Because of the vetoing of one of the resolutions necessary for the formal bond procedure under the Charter, the proposal of the Finance Committee to hold an early bond election, prior to April 1st, could not be made operative. The Chairman of the Finance Committee had subsequently stated his intention to urge upon the Board the holding of a bond election as soon as possible after the May primaries.

March 3rd. At the Supervisors' meeting on March 3rd, the Mayor's leave of absence was granted, and agreement to postpone the date of the bond election was reached. At that time, agreement on September 2nd as the probable date of the election was expressed.

The present situation as this is written is briefly as follows: Under present construction plans, power will be available in ten months. Valuation proceedings, estimated to take at least ten months, are about to be started. The City Engineer's approximate estimate of valuation of existing power-distribution systems will be available in about one month. No plans are officially before the Supervisors other than the valuation and future acquisition plan, and the plan implied by the Advisory Committee of a "skeleton system," with a market only for municipal power. The proposal of a legislative appropriation of $800,000 for a step-down station, without waiting for a bond election, is still in the offing. The proposed bond elections are deferred until September 2nd.

As to water construction, all funds will be expended by the end of this year, according to present estimates, with forty-eight miles of tunnels and forty-five miles of pipe line still to be financed and constructed. No active steps are being officially carried on to develop East Bay markets for the excess water.

PART IV

Proposed Plans and What They Involve

The only plans for handling the 214,000,000 kilowatt hours that will be available in January 1924, are those of the City Engineer and the Advisory Committee. There is also the newspaper plan to "let the power run down stream," pending acquisition of a municipal system, but this, as yet, has not been officially proposed.

The City Engineer's Plan

The City Engineers' proposal is a temporary marketing contract, not to exceed ten years, for the whole power "crop," providing for redelivery to the City of municipal power at cost of transmission, and agency service at an agreed compensation in distributing the remaining power to consumers, the contract to expire automatically upon municipal acquisition, under negotiations or condemnation, of the privately-owned system.

This has the three-fold advantage of providing for full use of the power, providing an immediate net revenue of approximately $1,500,000 to reduce the tax burden for Hetch Hetchy debt charges, and leaving the City's debt leeway "as is," free from the burden of heavy capital expenditures for power, and available for use in carrying on vitally necessary municipal projects.

Advisory Committee Plan

The plan of the Advisory Committee has not been definitely stated and therefore can only be inferred, from its reports and the statements of its members. It contemplates the valuation of existing plants and the independent construction of a main step-down and conversion station. Concerning the construction of other elements of a distributing system necessary to get power to consumers, there has been no specific statement.

The City Engineer estimates that a "skeleton system," including taking over street lights, will cost at least $10,650,000, if independently constructed. It has been stated that these funds, if voted by the people, would give the tactical advantage of indicating the City's real intention and ability to go into the distribution field. It has also been stated that independent duplicate construction was contemplated only as a final resort.

The "skeleton system" plan would dispose of only 19% of the power "crop." And, using Municipal Railway power as an index this would involve an increase in rates of nearly 100 per cent; the City Engineer estimates that the increased rate would mean an additional burden on the Municipal Railway of $291,000 a year, or nearly 10% of Railway gross revenues.

It seems obvious that the power companies, even if disposed to sell their entire systems, would not be disposed to sell portions of their plants. Thus

the availability of City funds is almost certain to result in paralleling or duplicating, with its incidental economic waste, and the interjection of Hetch Hetchy power into a competitive field. The net result of such a piecemeal speculative venture, based on nothing more substantial than a glittering prospect, is, in the Bureau's opinion, not worth the expenditure of a dollar of municipal funds.

With the Raker Bill provision that power rates must be fixed at not less than cost, it is at least a debatable question whether existing rates can be bettered or even equaled. With the remaining 174,000,000 kilowatt hours of Hetch Hetchy power to dispose of in a competitive field at not less than cost, we may find ourselves forced to "let the power run down the stream" for want of a market.

Other Factors

Assuming however—and considering both plans—that Hetch Hetchy can at least match existing rates, get customers for its power, and distribute the power without drain on taxpayers or detriment to the Hetch Hechy water project, two other factors are worthy of consideration.

The first is the possibility of an inescapable drain on our financial resources for new power plants and extensions to the first "skeleton" distributing system. The City Engineer, in his report of September 11th, states that the development of two additional power sites on the Hetch Hetchy will cost $18,000,000 and together with Moccasin Creek, will be adequate only for the 1928 demand. He further states that $2,000,000 will be required annually for extensions to a complete distributing system. Referring to both items he states: "These additional sums cannot come from the revenues derived from the sale of power, except in small part, so must largely come from further bond issues."

The interjection of any community into a speculative enterprise on any such large scale, in this stage of the development of municipal government, is a factor that warrants considerable disinterested serious thought.

The second factor has relation to the development in the art of power distribution. This will not be discussed here, other than to point out that one has only to read the public press to know of the economic tendency toward super-power systems, the "pooling" of power output, and the segregation of power generation and distribution into large areas, the limits of which are controlled not by political boundary lines of cities or counties, but by inescapable economic conditions.

PART V

A Sound Business-like Solution

The official status of Hetch Hetchy power and related matters, as of March 5, 1924, is as follows: (1) No funds are available for the purpose of local power distribution. (2) Proceedings to bring about valuation by the Railroad Commission of the privately-owned systems have been initiated. (3) Proceedings have been agreed to, to submit to popular vote on September 2d next, a bond issue for water and a bond issue for power. (4) Plans for the disposal of Hetch Hetchy power are still in the formulative stage.

Meanwhile, it is officially stated that the progress of construction work will bring the Moccasin Creek plant to the power-generating stage by January 1925. With the possible exception of the reaching by mutual agreement of a sale valuation for the Great Western Power Company's local system, and the voting of bonds therefor by the people, there is little prospect for disposing of any appreciable portion of the expected electrical energy.

Even with the Great Western Power system, and an independent system to supply power for municipal uses—if both should be proposed and bonds therefor authorized by the people —only from half to two-thirds of the Moccasin Creek output could be used. And as yet there is no certainty, no conclusive testimony despite the many hearings held, that it would be profitable for the City to go into the power business. There is weighty testimony to the contrary, if the City is to be its own sole customer.

While the question is unsettled, Hetch Hetchy debt charges amounting this year to over $2,600,000, and steadily increasing, will continue to burden the taxpayers. Regardless of the solution attempted, we have a debt leeway under the Charter of only about $32,000,000; a bond market leeway of saleable bonds of approximately $9,000,000 plus water bonds; and the necessity of either marketing or wasting 93,000 horsepower of electrical energy.

The solution proposed by the Bureau after more than a year's careful consideration of the situation, and after analysis of all of the formal and informal proposals that have been publicly suggested is as follows:

(1) The City should negotiate an agency arrangement with one or both of the power companies to take and transmit the City's power, as such, and deliver the same to consumers under the City's direction for the City's credit. This suggested arrange-

ment—considered as legal by the Solicitor of the Interior Department, the City's Special Hetch Hetchy Counsel, and the former City Attorney who assisted in getting the Raker Bill grant, and which follows a ruling by the State Supreme Court (Los Angeles Gas and Electric Corporation v. Los Angeles, 188, Cal. 307)—contemplates that the power companies shall make such charge for the use of their plants and facilities as shall be agreed upon as just and fair compensation therefor. Such arrangement should be clearly specified and understood to be temporary and should be subject to termination after an agreed period of notice from the City, or upon acquisition of a distribution system by the City.

(2) In the opinion of the Bureau of Governmental Research the agency arrangement outlined above is not only strictly legal, but clearly within the City's rights under the Raker Bill. As an alternative solution—if it be assumed that wholesaling is illegal, that a *practical* agency basis for disposal *cannot* be developed, and that the exigencies of our financial situation, our water needs, and our water development obligations under the Raker Bill and State laws mean that we must waste the power or wholesale it—then it is not unlikely that the provisions of Section 9-U of the Raker Bill will offer a solution. Under the provisions of the section named San Francisco can rest its case with the Secretary of the Interior, who has full power to determine what is "reasonable compliance" with all of the conditions—affecting water as well as power—specified in the bill.

(3) After thus legally and economically disposing of a problem which so long as it is unsolved, will be a confusing element in the City's business, the way will then be clear for city officials —free from the turmoil of "power politics" and from the dangers and mistakes that are certain to attend precipitate action—to carefully study the City's present and future financial ability with relation to the large number of municipal projects, many of which have official sanction, and which involve municipal financing of over $225,000,000. Such consideration should lead to the development and adoption of a plan of action, in which each project will have due consideration and will, on the basis of the City's need for it, be placed in its proper relation to the financial resources of the City and to all the other elements in a complete development plan.

(4) Although not related to the solution of the Hetch Hetchy power problem, this statement would be incomplete without reference to the necessity, emphasized by the present situation, of an appointive Utilities Commission, to serve without compensation, and to be vested with full power to operate utilities owned by the City, *to propose plans for the development*

of such utilities, and to maintain municipal-ownership in San Francisco on a business rather than a *political* basis.

San Francisco must own its own water supply. On the basis of the best engineering advice the City could get Hetch Hetchy was considered the logical source to develop. By the end of this year we will have expended $45,000,000 on this project, and it must be carried to completion. Water is an essential element of life and if we do not at the present time assure our supply for the future the natural growth and development of San Francisco and the San Francisco region will be seriously interfered with.

We have not as yet proven our ability to bring water economically and efficiently to our own inhabitants. The project is still in work and although costly, offers the only possible means of materially reducing our very high water rates. We have not as yet developed the market for the temporary excess of water that the Hetch Hetchy supply, in relation to our needs for the immediate future, will represent. No definite data has been advanced to prove that large profits are to be derived from embarking in the power business.

The prudent and businesslike course to pursue is to insure the completion of the water project thus putting ourselves in a position to cope with an aggravated situation, and to let our entry into the power business take its proper place with relation to water, transportation and other large municipal projects, some of which are of greater importance and seem to offer considerably greater returns to the citizens than does the matter of immediate retail distribution of power.

The following of such a course would be acting with sound business sense, whether in the case of an individual, a corporation or a municipality. San Francisco should not be stampeded from safe and sensible procedure by an unwise emotionally-excited desire to hasten the achievement of its Charter policy to *gradually* acquire and *ultimately* own its public utilities.

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Market Street Railway Purchase

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Increased Operating Costs May Force Higher Fare

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Need of Executive Control

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Market Street Railway Purchase

The question of purchase by the City of the Market Street Railway system seems to be accumulating steadily increasing impetus, if this may be judged by the frequency with which the question is made the subject of informal citizen discussion. It may be recalled that following public hearings, discussions and consideration during 1922 by the Public Utilities Committee and other city officials—which concluded by disagreement as to valuation, ranging from $15,000,000 to $35,000,000, among members of the committee—the Mayor appointed a special committee headed by Supervisor McGregor, as chairman, for further consideration of the problem.

Valuation estimates as of June 1920 ranged from $51,856,000 by the Company, to $41,425,000 by the Railroad Commission, and $40,000,000 by the City Engineer. The City Engineer's valuation was based on $26,700,000 as the reproduction cost less depreciation, $35,000,000 as the estimated cost of reproduction, new (as of September 1921), and $40,000,000 as the cost of reproduction, new, plus an arbitrary estimate for franchise values. The City Engineer has since stated that his estimate was a valuation as requested by the Supervisors' resolution authorizing this, and was not intended to fix an actual purchase price.

PURCHASE-OUT-OF-EARNINGS PLAN

The question of purchase by the City of the Market Street Railway system has been before the people intermittently since 1917. In 1920 the people adopted a Charter amendment authorizing the purchase of public utilities out of earnings. This requires a two-thirds vote of the Board of Supervisors to adopt an ordinance providing for such purchase, and requires also that such acquisition shall require a majority vote of the people. The

amendment further provides, "that such acquisition shall be approved by two-thirds of the qualified electors voting thereon in the event that such acquisition shall involve the incurring of an indebtedness or liability exceeding in any year the income and revenue provided for such year."

In 1922 the people adopted a charter amendment authorizing the city to acquire and operate Market Street Railway lines in San Mateo County, and providing that any indebtedness incurred for the purchase of the system shall not be subject to the charter 15% debt limit.

The McGregor Committee is stated as having been working steadily in analyzing the various valuation factors of the road. It has held only one public meeting, March 1924, at which time it was stated that agreement between the committee and officials of the company on a purchase price might be expected in the near future.

The situation takes prominence by reason of the approach to the time when the principal franchises of the Market Street Railway Company expire. This date is variously considered as 1929 or 1932, depending perhaps upon court adjudication. Meanwhile, charter franchise conditions make it virtually impossible for the company to extend its lines. It is any one's guess whether upon the expiration of the franchises the city or the company will be in the best tactical position. It would seem, if one admits the necessity for maintaining transportation without interruption, that the company would be in the best position to state and hold to terms for operating its lines under leases or agreements after franchise rights to operate shall have expired.

Question As To Majority or Two-Thirds Vote

The plan under consideration by the McGregor Committee is stated to contemplate a price based on analyses of historical cost, reproduction cost, stock and bond value, and "going concern", or income value. What the price will be, or whether a particular price is under negotiation with company officials is not known.

A nice legal point may be involved in the question as to whether approval by the people of a purchase-out-of-earnings contract will require a majority or a two-thirds vote. The 1920 charter amendment requires approval by two-thirds of the Board of Supervisors and by only a majority of the popular vote thereon, unless "acquisition shall involve the incurring of an indebtedness or liability exceeding in any year the income and revenue provided for such year".

The specific terms of any proposed contract (which must be accepted by company officials before it will have any weight) may largely decide this. If the provisions of the contract should provide for annual purchase payments out of earnings, with no other security, that would seem to provide inadequate security for company stockholders. If the provisions of the con-

tract should definitely commit the city to raise fares to provide revenues adequate for operating expenses, reserves and annual purchase payments; or, if the contract should contain foreclosure provisions with an accompanying resettlement franchise basis if foreclosure must be resorted to by the company—these might be acceptable to company officials and would seem not to commit the city to any liability that would exceed revenues. If the contract should simply bind the city to make the annual purchase payments, so that if revenues from operation were insufficient taxation could be resorted to, it seems likely that this would require a two-thirds vote in the same manner as would a bond issue.

Increased Operating Costs May Force Higher Fare

The 1921 report of the City Engineer on the valuation of the system stated that bringing the 2800 employees (September 1921) of the privately-owned system, after purchase, up to the scale paid on the Municipal Railway, would involve an increase of approximately $1,718,000. The report also estimated that this increase would be more than overcome by decreased expenditures of $551,000 for taxes that the City would not be required to pay, $275,000 for legal expenses and executive salaries, $970,000 by consolidated operation, adjustment of power contract, etc., and $500,000 increase in receipts by elimination of jitneys.

Last year Municipal Railway wages were increased from $5.00 per day to $5.40. It is estimated that the increased wage would bring the total automatic wage increase after purchase to $2,100,000; this might force an increase in fares in the event of purchase. The comparative merits of wages and working conditions on the two systems have not been analyzed by the Bureau. Apparently the efforts of the Municipal Railway employees for increased pay was part of a nation-wide effort, which when successful on the Detroit municipal system immediately forced a raise in fares.

The Bureau has advanced the thought on many occasions that when the purchase of the Market Street Railway system is brought before the people there should be presented, concurrently, a charter amendment to authorize the Supervisors to grant resettlement franchises, under universal-transfer conditions, to the Market Street Railway. Thus, if the people vote against purchase of the system, they can have the opportunity of voting to remove the hampering charter franchise provisions which have, and will, prevent the private company from building extensions and securing capital to expand and extend in keeping with San Francisco's growth.

If it is true that purchase by the City of the privately-owned system, with an automatic wage increase, will require an increase in fare, this will seriously effect the desirability and the possibility of purchase. There were in 1923, 260,860,241 riders on the Market Street Railway system, and 73,663,760 riders on the Municipal system. A raise in fare to 6c allowing

for temporary falling off in riders that such an increase would probably bring, would add over $2,600,000 to the city's street railway transportation bill. If the same end can be served with resettlement franchises and universal-transfer privileges, municipalization of the privately-owned system under these conditions might be considered as much too costly.

Important Municipal Events

CEMETERY REMOVAL: The Supervisors, April 21st, passed ordinances providing for removal of Masonic and Odd Fellows Cemeteries within five years. Ordinances covering Calvary and Laurel Hill Cemeteries, providing for removal within twenty years, are before Welfare Committee.

HETCH HETCHY: Modesto Irrigation District has asked City to declare price and conditions under which city will release a maximum of 50,000 acre feet of water and 8,000 kilowatts of electricity from Hetch Hetchy during the period of expected water shortage. The City Engineer has submitted the following figures to Supervisors: water $1.50 per acre foot, electricity $10.00 per kilowatt per year for standby service, and $.08 per kilowatt hour for energy used. . . . Questions propounded by East Bay Utility District Commission in communication to Mayor as to terms and conditions under which it may participate in Hetch Hetchy referred by Utilities Committee to various City officials for answer. East Bay Commission has demanded answer by April 30th.

VAN NESS EXTENSION: Supervisors, April 7th, adopted resolution declaring intention of City to extend Van Ness Avenue from Market to Howard, and fixing assessment district. Committee on tunnels and assessments to which subject matter was referred, approved this April 15th, and instructed Works Board to spread assessments. Cost of $750,000 to be borne, half by City and half by assessment district. Apparently no objection to the plan.

BOND SALES: Supervisors, March 24th, sold remaining Hetch Hetchy 4½% water bonds, face value, $5,281,000 for $5,199,210 and accrued interest, and $5,000,000 5% school bonds for $5,196,063 and accrued interest, stated as on 4.7% basis. Remaining $1,900,000 of Relief Home bonds expected to be sold in the near future.

EXPOSITION BUILDING AND GROUNDS: Mayor has been authorized to execute contract with San Francisco Exposition Company for lease of nine blocks of land and exposition buildings to be erected, City to take over and operate upon completion, make annual payments of $185,000 on purchase price and interest, and acquire ownership in maximum of eighteen years.

TUBERCULOSIS PREVENTORIUM: San Mateo County has granted San Francisco permission to erect and conduct preventorium on three hundred acres near Redwood City, recently purchased by City for $27,250. Agree-

ment previously entered into with Alameda County for joint use of Livermore Sanatorium has been cancelled.

Bay Crossing Pipe Contract: Works Board's award of contract for pipe for bay crossing to U. S. Cast Iron Pipe & Foundry Company of New Jersey for $196,800 (lowest bid and approved by City Engineer) protested by a local bidder, and labor and other organizations on ground that handling charges will make actual cost higher than local bid. City Engineer states bid is lowest by $22,000. Finance Committee has held up appropriation at request of Utilities Committee and Auditor has refused to certify contract. Successful bidder has asked court for writ of mandamus to compel Auditor to make necessary certification.

The 1924-25 Budget

The annual budget making season is now with us, bringing up for legislative consideration requests from departments for appropriations exceeding by millions of dollars the practicable possibility of providing for these. This is an annual situation that, although familiar to San Francisco and its city officials, is rather haphazard when compared with sound municipal budget procedure, and when compared with the clean-cut responsible budget procedure of large private corporations of the size and the annual spending power of the city.

Ours is a legislative budget procedure. Under it each department, separately, prepares its own program and submits its "estimate of expenditures" for the next fiscal year to the Finance Committee of the Board of Supervisors. Departments, if expecting a cut as a matter of course, may submit their "estimate of expenditures" in sufficient amount to absorb this and still leave something for expansion. There is no executive consideration and coordination of estimates for the purpose of reducing these to the limits of a balanced program. In addition the Supervisors directly control about fourteen per cent of the whole expenditure program, which portion is free from any critical scrutiny, except that of individual members of the Board.

The consideration of the estimates, the reduction of these to the limits dictated by the practicability of financing, and the attempt to balance the requests of the several departments according to relative needs and desirability is the onerous task of the Finance Committee. The committee through its continuous work during the year in passing on requests for appropriations accumulates a fund of information relative to departmental operations, but nothing like the information based on the close contact and supervision that is a definite part of executive control. This fund of information is the Finance Committee's principal stock in trade in considering the budget estimates and proposing a budget to the Supervisors.

Budget Requests, $32,000,000

The budget estimates for this year are not as yet all in. The requests already filed total $22,791,372, an increase of $4,521,334 over the appropriations for these departments for the current fiscal year, and an increase of $3,941,428 over those for the fiscal year 1922-23. With the requests for police courts, parks and fire pensions still to be filed, in addition to the "Supervisors' appropriations", the budget requests will probably exceed $32,000,000, or more than $6,000,000 over the appropriations for the current fiscal year.

It is not to be expected that all of these can be financed. A budget of an amount to include all the requests would require a tax rate of at least $4.14, compared with the present rate of $3.47. The Chairman of the Finance Committee has been quoted in the press as stating that the $3.47 tax rate will not be exceeded. If correctly quoted it is obvious that millions of dollars included in the requests must be eliminated.

Probable Maximum Budget, $27,300,000

It is estimated that the total assessment roll for 1924 on which the tax rate for the next fiscal year will be levied will range from $657,000,000 to $665,000,000. Assuming for the purpose of this calculation that this will approximate $665,000,000, a tax rate of $3.47 will produce a tax levy of $23,075,500.

To estimate the probable maximum budget that can be funded by a $3.47 tax rate, subventions and refunds from the State and other possible revenues must be considered. Miscellaneous revenues for the current fiscal year were unofficially estimated as $1,935,000, which amount is borne out by actual collections to date. Out of these a leeway for safety of $150,000 is usually deducted. In addition these are usually under-estimated in the official tax rate calculations to produce a further factor of safety and to establish a fund for expenditures found necessary or desirable during the year, and not included in the budget. This fund, plus the leeway for safety, may be estimated as at least $300,000, which subtracted from the estimated actual miscellaneous revenue collections leaves $1,635,000 which may be added to the tax levy.

Subventions from the State for education are roughly estimated as $1,425,000; for redemption of debt as $170,000; for the maintenance of minors and other purposes as $285,000—a total of $1,880,000. Subventions from the State for county roads are handled as a separate unbudgeted fund and are not considered in connection with budget revenues.

In addition there is the unencumbered Hetch Hetchy operative revenue fund. This at the present time totals $1,220,000. It is estimated that before the end of the current fiscal year about $500,000 will have been appropriated from this for bond interest and redemption charges, which

would leave a balance of $720,000 in the fund. There has been considerable question as to the legality of the use of this fund for the payment of debt charges, and although no formal City Attorney's opinion has been secured as to the legality of such use, the Finance Committee's current budget was based on the partial use of the fund, and the coming budget will probably continue the practice.

The several items—tax levy, miscellaneous net revenues, State subventions and refunds, and the Hetch Hetchy operating revenue fund—total $27,310,500, which, subject to the revision of these estimates, would limit the total budget to this amount if the $3.47 tax rate is to be maintained.

Last year's budget totaled $25,708,566. It may be presumed that none of the operating branches of the government plan curtailment, and this presumption is borne out by the requests—to the contrary, heavy expansion is the order in many departments. Debt charges for the current fiscal year, according to the Auditor's estimate, amounted to $5,299,768; only $4,219,828 was appropriated for these in the budget, and the balance was intended to be funded by $556,000 of known revenues plus draft on the Hetch Hetchy operating revenue fund. With all of the Hetch Hetchy bonds and part of the school and Relief Home bonds issued and out at interest, and only a relatively small balance available for reinvestment, the budget item for debt charges must materially increase.

Need of Executive Control

With new schools coming into commission continuously, the expenditure for teachers' salaries and operating expenses must increase. With the development of public sentiment for more rigid traffic control, police department expenditures are due to increase. The same conditions requiring expansion and increased expenditures are true of many other municipal activities.

In short, with no official executive force to curtail or to economize on existing activities and with increased fixed charges and expenditures fostered by some measure of popular demand, the Finance Committee's task of whittling the budget requests down to a budget of $27,310,500, which is about the maximum possible under a $3.47 tax rate, is one that no one need envy.

But what San Francisco requires on its budget is not an annual herculean task by a legislative committee at budget-making time, but an executive-controlled organization that can force economy, produce a balanced program, see that it is carried out within the revenues provided, and produce each year an executive budget based on such simple fundamental principles—and then, and then only, will "the budget" really represent the term and condition of "economy and efficiency" with which it is synonymous in the public mind.

The City

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Correction: Market Street Railway Valuation

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The City

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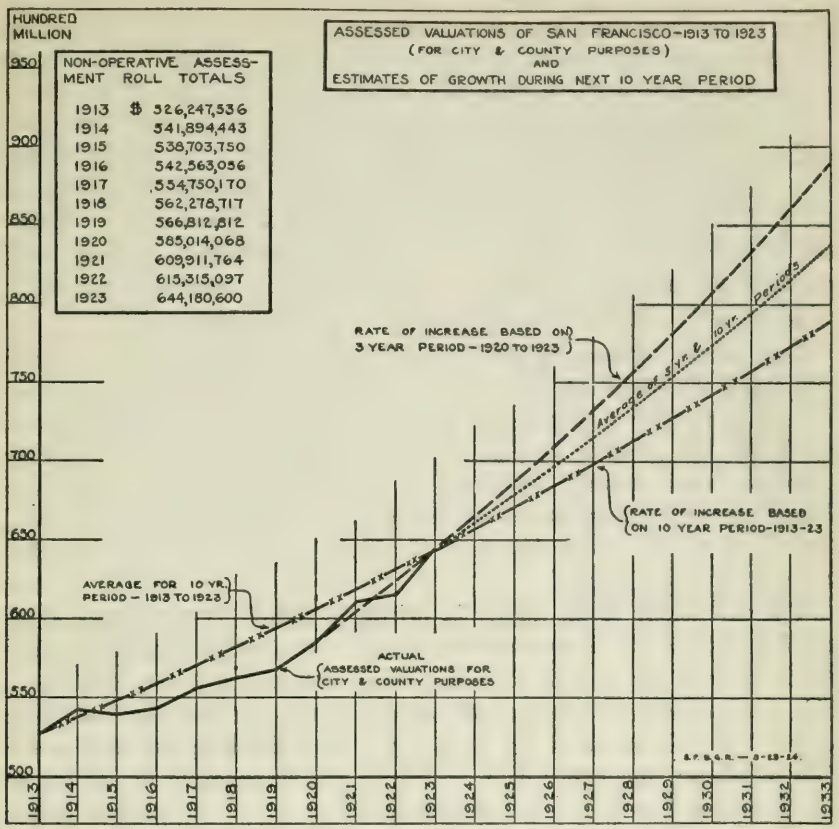
Assessed Valuation

The amount of increase in the assessment roll is of considerable importance each year, when the budget for the next succeeding fiscal year is made up. This year is no exception. At the hearings on the budget estimates, and on the budget as proposed by the Finance Committee and adopted by the Supervisors, considerable emphasis was placed on the fact that the Finance Committee's budget would not require an increase in the present $3.47 tax rate if the "non-operative" assessment roll ($644,000,000 in 1923) increased to $670,000,000.

This would involve an increase of $26,000,000 as compared with last year's increase of nearly $29,000,000.

The attached chart shows the range in valuations from 1913 to 1923 inclusive. This increase amounts to nearly $118,000,000 in the ten-year period—from $526,000,000 in 1913 to $644,000,000 in 1923. The chart is extended to show estimated increases in valuation for the next ten years, based on various rates of increase during the past.

The probable increases in valuation are platted in three ways. The highest curve shows the increased valuation year by year, if the rate of increase that has held during the last *three* years should be maintained for the next *ten*-year period. The lowest curve shows the probable assessed valuations if the rate of increase during the last ten-year period should be maintained. The middle curve shows assessed valuations for the next *ten* years, based on the average between the rates of increase for the last ten years and for the last *three* years.



The Dumbarton Pipe Controversy

Recent information relative to San Francisco's water situation indicates that the controversy that has developed over the Dumbarton pipe contract may have serious results. The situation has entirely changed from that of last February and March, when the controversy first developed. The President of the Spring Valley Water Company points out that insufficient rainfall during the last several years has created a serious situation in San Francisco and throughout the State; and, that by the end of this year storage water will be so reduced as to leave the city with a reserve supply entirely inadequate for a city of this size.

His recent communication to the City Engineer states that the Company has organized a program to reduce wasteful use of water, and that appeals are being made through the press and to consumers to secure cooperation in economical water usage. The communication states that the only practicable method of increasing the supply is by bringing in addi-

tional water from the Company's Alameda sources. It further states that this cannot be done unless the Bay Division of the Hetch Hetchy is ready, as soon as water is available for diversion through this aqueduct.

The communication urges that a construction speed be maintained that will result in the completion of this work "so that it will be ready for use not later than December 1, 1924, by which date the storage reserves on the peninsula will be reduced almost to the point of exhaustion." Under the City Engineer's construction plans, this would be completed and available for use by January 1st. The Company's communication seeks to advance the date of availability for use by thirty days.

Due to the controversy that has arisen between the Board of Supervisors and the Board of Public Works relative to the award of contract for the submarine pipe crossing at Dumbarton, it may be impossible to finish the Bay Division by January 1st as originally planned. The controversy centers around the award of contract to the U. S. Cast Iron Pipe & Foundry Company, a New Jersey concern, whose bid was $196,802, instead of to the Union Machine Company, a local concern whose bid amounted to $211,914.

The chronology of the matter is, briefly, as follows: On January 23rd, the Board of Public Works advertised for bids for 1625 tons of 42" submarine pipe as per the City Engineer's specifications. February 20th three bids were received; the two mentioned above, and one from the Bethlehem Shipbuilding Corporation for $272,824. All bids were referred to the City Engineer, and under date of March 4th, he reported in writing to the Board of Public Works recommending award of the contract to the U. S. Cast Iron Pipe & Foundry Company.

This report took into account the cost of inspection under the two lowest bids, the charge for storage against the eastern bid, and the charge for hauling from plant to barge against the local bid. He estimated that the lowest bid represented a saving of $15,100 on the face of the two bids, and a saving of $22,157 considering these other factors. His report pointed out further that the joint of the pipe to be produced by the eastern firm would be superior.

On February 29th, and March 5th and 7th, the Supervisors' Public Utilities Committee and the Board of Public Works considered protests by the local bidder against awarding the contract to the eastern concern; the California Development Association, the Industrial Department of the Chamber of Commerce, and labor unions joined, or were considered as joining therein. On March 10th, the Board of Public Works awarded the contract to the U. S. Cast Iron Pipe & Foundry Company. On the same date a resolution was adopted by the Board of Supervisors requesting an investigation of the bids by the joint Finance and Public Utilities

Committee. On March 12th, 19th, 21st, 26th and April 9th, hearings were held by the joint Committee or by the Public Utilities Committee.

In a communication dated March 13th, the Chamber of Commerce expressed confidence in the City Engineer and his recommendations in the matter. Under date of April 16th, a communication was received by the City Engineer from the California Development Association withdrawing its protest, and approving of the City Engineer's recommendation in the matter.

The Board of Supervisors, April 28th, by resolution directed and requested the Board of Public Works to cancel its award of the contract to the U. S. Pipe Company. The company in a communication filed with the Supervisors, May 5th, protested the proposed cancellation and gave notice that in the event of cancellation it would sue to recover $52,500 in claimed damages. As the Supervisors have failed to make the necessary appropriation to cover the contract, this has been held up by the Auditor.

The matter is now in the courts, the U. S. Pipe Company having applied for a writ of mandate to cause the Auditor to certify the contract. A taxpayers' suit has been filed to enjoin the Board of Works from cancelling the contract; this has not as yet been heard by the court. On advice of the City Attorney, the Board of Public Works on May 23rd resolved to advertise for new bids.

Summed up, therefore, the disinterested protestants of the award have withdrawn their protests; the award has been made by the Board of Public Works; the bidder to whom the award was made can produce, in the judgment of the City Engineer, a superior type of joint; and the award, according to the City Engineer, will represent a saving to the City over the next lowest bidder of $22,157.

Under the Charter the City must award a contract to the lowest responsible bidder. The U. S. Cast Iron Pipe & Foundry Company is the lowest bidder. No claim has been made that it is not responsible; the only test of responsibility is settled by the bidder filing the certified check required. The City would have no legal authority to award the contract to the Union Machine Company. The only way in which this might be indirectly brought about would be to reject all bids and readvertise for new proposals, with the chance that the Union Machine Company might then be the low bidder.

Re-advertisement would not insure a bid lower than the ones already received. Assuming, however, that a lower bid should be received and the contract awarded to the Union Machine Company, or any other lowest bidder, the City would then be confronted with the claim for

$52,500 damages by the U. S. Cast Iron Pipe Company, the bidder to whom the first award has been made.

The most serious phase of the controversy is the delay that it may create in the completion of the Bay Division of the Hetch Hetchy. The successful bidder, in a bid filed February 20th, promised delivery between August 1st and August 15th, or approximately six months after award. Re-advertisements and opening of new bids probably cannot be completed before the middle of June; adding six months for delivery (if it be assumed that this contract would not be held up further in the courts), would bring the earliest deliveries in the month of December, after which time for construction would have to be figured. Further delay of from thirty to sixty days might be necessary for pattern making, by any bidder other than the U. S. Cast Iron Pipe Company.

From the standpoint of cost and quality as reported by the City Engineer, the best advantage to the city seems to lie in carrying out the original award of contract to the lowest bidder. In the face of what is claimed by the City Engineer, the President of the Spring Valley Water Company and the Chief Engineer of the Fire Department, to be a very serious water situation, the question of favoritism to local industry is so relatively unimportant that it should not merit serious consideration.

The 1924-25 Budget

The budget for the next fiscal year, as passed to print by the Board of Supervisors Wednesday, May 14th, and finally passed May 26th, totals $27,185,336. The budget as passed is almost identical with that reported to the Board by the Finance Committee on May 12th. It represents an increase of $1,476,770 over the budget of the current year, the total of which is $25,708,566.

No appropriation is included for tax judgments nor for the City's portion of the cost of the proposed Mission-Sunset tunnel. Writs of mandate, covering judgments for approximately $1,000,000, for illegal taxes paid during past years are standing against the City. The Supervisors have elected to pay these in ten annual installments with interest at 7 per cent on deferred payments. A tax to raise approximately $97,000 was levied last year for these; a similar or larger payment is mandatory this year. The total cost of the proposed Mission-Sunset tunnel is estimated as nearly $1,600,000. The Supervisors have agreed to pay 25 per cent of this cost out of the tax levy (in addition to 25 per cent from Municipal Railway funds which has recently been proposed). If the tunnel is built during the next fiscal year, at least a portion of this will have to be met.

Legislative consideration of the proposed budget and its adoption by the Board of Supervisors was unusually expeditious, as compared with the usual procedure of the past. The Charter requires that the Super-

visors shall meet annually between the first Monday of May and the first Monday of June, and by majority vote make a budget of the estimated amounts required for the next ensuing fiscal year. The procedure in recent years has been for the Finance Committee to file its recommendations with the Board and permit at least a week to elapse for study of the recommendations before taking these up.

The Finance Committee's report stated that the increase in budget appropriations "is largely due to increase in the bond interest and redemption account, an expense which was ordered by a vote of the people. The budget here recommended is allocated so that it can be financed without increasing the present tax rate of $3.47. This can be done by using a proper amount of operative revenue from the Hetch Hetchy system to pay a part of the bond interest. This procedure was adopted last year and proved logical."

Pay-as-go Policy for Schools Abandoned

A recapitulation of the budget as adopted in comparison with the budget for the current year shows that appropriations for permanent improvements are reduced by $323,408. Of this reduction, $250,000 is represented by a cut in the appropriation for new school buildings, additions and land. This represents a complete abandonment of the policy, declared at the time the $12,000,000 school bond issue was launched and subsequently restated by the Finance Committee, and which was the basis of the agreement at that time by the Board of Education to a bond issue in lieu of the pay-as-you-go policy for school construction.

The 1921-22 budget as recommended by the Finance Committee carried an appropriation of $1,700,000 for school buildings, additions and land. In its budget recommendations for the next year, 1922-23, it included an appropriation of $930,000 for these purposes and recommended a bond issue for schools for the purpose of catching up with school needs. At the public meeting at which the initial bond-issue ordinance was passed, the Board of Education stated that it withdrew its opposition to the proposed bond issue only on the basis that the Finance Committee had agreed to recommend in each subsequent year $1,000,000 for new schools, and $250,000 for school building repairs. This was agreed to at the time, and was reiterated verbally at the Finance Committee hearing the following year on the Board of Education's estimate of budget requirements.

However, in the Finance Committee's budget recommendations for the current fiscal year, 1923-24, under date of May 21, 1923, the Finance Committee proposed only $500,000 for new school buildings, additions, repairs and land. The report stated that the committee considered it unnecessary to levy a special school tax of 15c to produce $1,000,000, inasmuch as there was available $12,000,000 of bonds for the construction

of schools. For the coming fiscal year, 1924-25, only $250,000 has been allowed, which according to the School Board, will cover only the item of repairs.

A recent published report of the committee of educators appointed by the Board of Education to examine into the proposed school program is to the effect that from $15,000,000 to $20,000,000 additional will be required when the proceeds of the $12,000,000 bond issue are expended. In the light of this report as to school needs, the complete and continued abandonment of the pay-as-you-go plan for new schools will have the inevitable result of forcing San Francisco to another expensive bond issue within a few years.

Debt Charges and Other Increases

The largest increases in the budget, as adopted, are bond interest and redemption, $463,951; School Department, $396,421 for operations (or a net of $146,421 for operations and buildings); Police Department, $156,600; pensions, $139,000—a total for these four items of $1,155,972. These absorb the cut in the allowances for improvements and in addition account for $832,564 of the increase in the budget. The remaining $644,206 of the increase is distributed in varying amounts throughout the whole list of city services and functions; only two items—elections and the general functions of the Board of Public Works—show minor decreases.

The total required for bond interest and redemption is estimated as over $5,800,000, as compared with the $4,683,779 allowed in the budget as adopted by the Supervisors. To apply against the total required, there will be a refund from the State applicable to bonds sold prior to 1910, interest on the cost of the Hetch Hetchy Bay Division to be paid by the Spring Valley Water Company, and income from the re-investment of idle balances in bond funds. It is estimated that the total from these three sources of revenue will exceed $600,000, leaving approximately $500,000 to be provided from other sources independent of the tax levy.

Use of Hetch Hetchy Operating Revenues

The Finance Committee's budget report to the Board states that the budget can be financed without increasing the tax rate, by using Hetch Hetchy operative revenue to pay a part of the bond interest. The Hetch Hetchy operative revenue fund at the present time totals approximately $1,220,000, derived principally from railroad freight charges, and the sale of surplus power. As stated in the April issue of The City, the Bureau estimates that during the current fiscal year about $500,000 of this fund will have to be used for the current year's (1923-24) bond interest and redemption charges. This would leave a balance of about $720,000 in the fund available for appropration next year if such appropriation is legal.

COMPARATIVE BUDGET ALLOWANCES
1922-1923, 1923-1924 and 1924-1925

	1922-23 Budget Allowance	1923-24 Budget Allowance	1924-25 Budget Allowance	Increase (—Decr.)
Legislative, Supervisors	$ 146,000	$ 142,000	$ 148,600	$ 6,600
General Departments	544,154	570,650	625,280	54,630
Gen. & Misc., incl. Supplies	304,400	340,000	376,600	36,600
Legal Departments	192,800	189,600	194,132	4,532
Judicial Departments	463,639	470,015	495,406	25,391
Dept. of Elections	316,650	328,300	325,230	—3,070
Street Lighting	560,000	565,000	590,000	25,000
Police Department	2,319,832	2,398,864	2,555,464	156,600
Fire Department	2,591,909	2,686,288	2,778,853	92,565
Dept. of Electricity	154,490	174,141	182,500	8,359
Public Works—Gen. & Engrg.	384,132	388,144	387,039	—1,105
Public Bldgs.—Maint. & Rep.	414,670	417,790	446,650	28,860
Street Repair and Reconst.	668,869	720,750	739,570	18,820
Street Cleaning	475,765	447,565	489,370	41,805
Sewer Repair and Cleaning	239,395	239,755	258,050	18,295
Health Department—Gen.	340,303	383,301	420,508	37,207
Relief Home	319,475	325,638	336,818	11,180
S. F. & Isolation Hosp.	740,646	758,823	843,510	84,687
Emergency Hospitals	149,180	150,980	168,145	17,165
Charities (Orphans, Widows, etc.)	877,840	863,440	894,820	31,380
Corrections (Jails, Probation, etc.)	276,531	284,935	301,790	16,855
School Department	4,799,564	5,041,809	5,438,230	396,421
Public Library	228,000	236,250	242,700	6,450
Parks, Plgds. & Amusements	777,000	823,000	905,000	82,000
Pensions	414,000	665,000	804,000	139,000
School Bldgs. & Land	930,000	500,000	250,000	—250,000
Other Permanent Improv.	534,500	1,376,700	1,303.292	—73,408
Bond Int. and Redemption	4,728,934	4,219,828	4,683,779	463,951
TOTAL	$24,892,678	$25,708,566	$27,185,336	$1,476,770

As previously stated there has been considerable question as to the legality of the use of this fund for the payment of debt charges. The revenues have been accumulated principally from freight charges on the Hetch Hetchy railroad, and from the sale of surplus power. The Charter requires that utility receipts shall be appropriated for (a) operating expense, (b) repairs and reconstruction, (c) bond interest and redemption, (d) extensions and improvements, and (e) reserve. The City Attorney has ruled in the case of the Municipal Railway that the Charter provisions govern the *order* in which appropriations may be made. Inasmuch as the operation and maintenance costs of the Hetch Hetchy Railroad and Power House No. 1 have been paid out of the Hetch Hetchy bond fund, it would seem that under the Charter the bond fund would have to be reimbursed out of the revenue fund before any portion of the revenue fund could legally be used for debt charges. To date, however, no formal City Attorney's opinion has been secured as to the legality of the proposed use of this fund, nor has the matter been legally contested.

Lack of Revenue Estimates

Consideration of the budget is confused this year, as in past years, by the absence in the Finance Committee's report of any estimates of expected revenues. These come from many sources and can reasonably be expected

to amount to nearly $4,500,000, exclusive of county road funds and other funds, the expenditures from which are not budgeted.

The Charter does not specifically require the submission of estimates of expected revenues, although the necessity for these, as a basis for sound public and supervisorial consideration of the budget, has repeatedly been urged on the Finance Committee. A proposed budget which is simply a tabulation of expenditures is incomplete; a complete balanced budget requires also an outline of the amounts and sources of revenues to finance such expenditures. Although it is within the power of the Finance Committee to prepare such estimates, or the Board of Supervisors to require these, and further, although these are required if the Supervisors in passing the budget are to know how this is to be financed, it is probable that revenue estimates as a part of the budget will not be secured until by Charter amendment they are specifically required.

Probable Tax Levy

The budget as passed by the Supervisors, taking account of miscellaneous revenues as estimated by the Bureau, and the contemplated use of the Hetch Hetchy operative fund, will require an assessment roll of $677,000,000 if the present $3.47 tax rate is to be continued. This would be an increase of $33,000,000 over the 1923 assessment roll which amounted to $644,180,600. Such an increase would exceed any increase in past assessment rolls; the largest increase, 1923 over 1922, amounted to only $28,865,503.

If the increase amounts to only the average for the last three-year period (approximately $20,000,000 a year) it seems likely that the present $3.47 tax rate cannot be continued. In this event a tax rate of $3.53 may be required to finance the budget as passed by the Supervisors.

Important Municipal Events

East Bay Participation in Hetch Hetchy: As authorized by Supervisors May 19th, Acting Mayor McLeran, May 22nd answered East Bay Utilities Commission's questionnaire of last February as to terms and conditions under which East Bay cities may participate in Hetch Hetchy. Answer states: (1) City stands ready to supply East Bay with 100,000,000 gallons daily of Hetch Hetchy water within five years, at Oakdale portal, if bonds for completion of tunnels and pipe line are voted at September election; (2) City cannot legally sell East Bay District undivided interest in Hetch Hetchy; (3) City requires entire power crop for its own use; (4) Price to be charged for water must be determined later. The Acting Mayor appointed following Committee to carry on further negotiations: Supervisors Shannon, Harrelson, Colman, Schmitz, Rossi and Hayden,

City Engineer O'Shaughnessy, City Attorney Lull, and Special Hetch Hetchy Counsel Searles.

CEMETERY REMOVAL: The Supervisors have adopted ordinances providing for the removal of the four cemeteries, Masonic, Odd Fellows, Laurel Hill and Calvary, the first two within five years and the second two within ten years.

MISSION-SUNSET (EUREKA VALLEY) TUNNEL: The hearing on the proposed Mission-Sunset (Eureka Valley) tunnel held before the Supervisors' Committee on Tunnels and Assessments, May 8th, developed widespread protest from Eureka Valley property owners against proposed tunnel and assessment district. The Committee recommended that all property assessed for Twin Peaks Tunnel be eliminated from the Mission-Sunset tunnel assessment district. Finance Committee chairman proposed that the City pay 25 per cent and the Municipal Railway 25 per cent of the cost, leaving 50 per cent to be assessed against property benefited.

VAN NESS AVENUE EXTENSION: The Supervisors, May 19th, held a hearing on the proposed extension of Van Ness Avenue from Market Street to Howard Street. Protests were filed by approximately fifty of the property owners affected. The hearing was continued for two weeks during which time the Committee on Tunnels and Assessments will consider the merits of protests.

CHARTER AMENDMENTS: The Supervisors' Judiciary Committee has before it for consideration proposed amendments to the Charter providing for the consolidation of the Park Commission and the Playground Commission and for an increase in the salaries of firemen and policemen. The press reports that the Municipal Railway carmen intend to circulate initiative petitions to place on the ballot Charter amendments providing for an increase in platform men's wages from $5.40 to $6.00 per day and granting to Municipal Railway employees a trial before three members of the Board of Supervisors before dismissal.

REMOVAL OF WOODEN BUILDINGS: An ordinance was passed to print by the Supervisors May 5th requiring the removal within ninety days after the service of notice of all wooden and frame buildings erected subsequent to the 1906 fire in violation of law. This re-referred to Committee May 26th.

TRAFFIC ORDINANCE: The Supervisors May 26th passed to print traffic ordinance extending the forty-minute parking zone, establishing a sixty-minute parking zone, eliminating left-hand turns on Market Street, and providing for one way traffic on Bush, Pine and other streets during certain hours.

The Bureau's Second Annual Membership Meeting

At the meeting of the Board of Trustees May 14th, the date of the second annual dinner meeting of the membership was fixed for Thursday, June 5th, 6:30 P. M. at the Hotel St. Francis, Italian Room. Notification has already been mailed to members; it is expected that the attendance will considerably exceed that of the first annual meeting held last June. The program for the meeting will be announced later and the members notified thereof.

The success of last year's annual meeting, which was in the nature of an experiment, was such as to insure the continuance of these. Such a meeting offers an opportunity for the Trustees, the staff and the membership getting in touch with each other, and for a first-hand exposition by the Trustees of Bureau aims and policies. If last year's success is repeated at this second annual membership meeting it is the thought of the Trustees to arrange for more frequent meetings of the same character.

Correction: Market Street Railway Valuation

An article in the April issue of THE CITY discussing some of the factors involved in the purchase by the City of the Market Street Railway should be modified in one particular as to the valuation quoted. The article stated: "Valuation estimates as of June 1920, ranged from $51,856,000 by the Company to $41,425,000 by the Railroad Commission, and $40,000,000 by the City Engineer. The City Engineer's valuation was based on $26,700,000 as the reproduction cost, less depreciation, $35,000,000 as the estimated cost of reproduction, new, (as of September, 1921), and $40,000,000 as the cost of reproduction, new, plus an arbitrary estimate of franchise valuation."

The City Engineer's estimate of $35,000,000 was based on the cost of reproduction, new, *less depreciation.* His report, dated September 10, 1921, states: "From a comparison of these data, it appears that the reproduction cost, new, *less depreciation,* of the physical property will vary from a maximum of between $41,400,000 and $51,600,000 to a minimum of $26,700,000, this determination, as above pointed out, being derived from the application of prices current over a period of five years preceding our entry into the European war. In my judgment, it is conservative to state that the reproduction cost, new, *less depreciation,* of this property as of today cannot be less than $35,000,000.

The City

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Separation As Opposed to Combination

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Cost of Electric Power Distribution

In the public consideration during the last few months of the question of distribution of Hetch Hetchy power, the sum of $15,000,000, often referred to as the probable amount of the coming bond issue, has come to be erroneously considered as the sum total of the investment that the City will have to make to engage in the retail distribution of this power.

The first public proposal of the amount of a power bond issue was made on January 3, 1924, at an official conference in the Mayor's office. At that time the Chairman of the Finance Committee urged a bond issue of $32,000,000 for completing the water project and suggested the addition of $3,000,000 or $4,000,000 for power purposes. The City Engineer advised that $10,500,000 would be required for the "skeleton system" recommended by the Citizens' Advisory Committee. At subsequent hearings of the joint Finance and Utilities Committees the coming power bond issue was referred to as from $10,000,000 to $15,000,000.

This finally crystallized at $15,000,000 on the basis of the City Engineer's report to the Supervisors on September 11th last—"to install the necessary receiving step-down stations, the underground transmission to the various substations and the distribution necessary to take care of our own municipal requirements, and a certain additional load that might be immediately picked up . . . the necessary *foundation* for a distributing system designed to enter a competitive field. . . ."

The Bureau of Governmental Research in its analysis of the Hetch Hetchy power situation, printed in March of this year, pointed out that a bond issue of $15,000,000 seemed wholly insufficient to acquire a system

adequate for distributing the whole Moccasin Creek output; that with the availability of only a portion of the total sum required, the utility companies would not be disposed to sell their plants piecemeal, and thus the economically-unsound policy of duplicating existing facilities would be encouraged; that a small bond issue and a partial system offered no possibilities of lower rates or profits, but almost a certainty of higher rates for Municipal Railway power; that a partial system would dispose of only 40,000,000 kilowatt hours with no provision for disposing of the remaining 174,000,000 kilowatt hours of the Moccasin Creek output; and that if committed to the power venture by an initial small bond issue, future issues required would have to be voted, regardless of merit, to "safeguard our investment."

Cost of Complete Competitive System

The City Engineer's report of June 20th, submitted to the Board of Supervisors on June 23rd, is illuminating as to probable capital costs of power distribution. The report reiterates the estimate of $45,000,000, included in the report of September 11, 1923, as the cost of an independent distributing system, new, for the full output of the Moccasin Creek plant. This is segregated as follows:

Step-down station, including cables and conduits to substations	$3,500,000
Distribution system, proper	30,500,000
Steam standby station	6,000,000
Street lighting (incl. 10 years' undergr. construction)	4,500,000
Miscellaneous equipment and headquarters	500,000

The report emphasizes that such a system would have to compete with existing systems, to distribute 214,000,000 kilowatt hours from the City's power plant as compared with a total of 280,000,000 kilowatt hours distributed in 1923 by existing private systems. The report recommends against initial construction of such a complete system "for the very practical reason that there would be no market to receive all of the power. The market could only be built up slowly if in competition with existing companies; this would take a number of years."

(The estimate of $45,000,000 for a complete new system has been criticized as excessive in comparison with a total of $33,500,000 estimated for both the Great Western Power and the Pacific Gas and Electric systems. The Engineer's report of September 11th last emphasized this discrepancy, and stated it was due in large part to providing for underground requirements of the next ten years, and to providing for electric lighting to replace existing gas street lighting; these two items are stated as involving additional costs of about $7,500,000 and $3,500,000 respectively.)

Cost of Partial Competitive System

The report includes an estimate of $15,000,000 as the cost of an initial installation "capable of taking care of our Municipal Railway, some of the public buildings, and some of the street lighting, and in addition such industries, business houses and residences as could be conveniently served by the substations necessary to handle the Municipal Railway load." The load for such a system is stated as problematical; 42,500,000 kilowatt hours of municipal load plus "such load as can be developed or taken from the present operating utility companies. During the first year the total electrical energy delivered would certainly not exceed 60,000,000 kilowatt hours for all purposes. This delivery might reasonably be expected to increase at the rate of 5,000,000 kilowatt hours per annum during the first few years. The expense of providing for this increase will range between $1,000,000 and $2,000,000 annually dependent upon the extent to which the main trunk system and substations have to be extended or built to care for the new business."

This $15,000,000 estimate is made up as follows:

Step-down station, including cables and conduits to substations	$3,000,000
Distributing system, proper	8,000,000
Steam standby station	3,000,000
Street lighting	600,000
Miscellaneous equipment and headquarters	400,000

The report states that the estimate is based on the construction, new, of the works included. It emphasizes that a portion of the new construction would be unnecessary if portions of the two existing plants should be taken over; it recommends that any bond issue submitted for the purpose of acquiring or constructing such initial plant, be made broad enough to cover construction in whole or in part, or acquisition in whole or in part, of the necessary works.

Original Cost of Existing Systems

Original construction costs of the Great Western Power Company and the Pacific Gas & Electric properties used in supplying energy in San Francisco were also submitted, as required by ordinance. It is emphasized that each of these estimates, as limited by the terms of Ordinance No. 6013, New Series, is based on reproduction cost, without deduction for depreciation, nor increase for severance damages; that, in accordance with the ordinance, the estimates include "certain property used by the (each) company which I do not consider desirable for the City to acquire and which has been excluded in the condemnation proceedings already instituted by the City Attorney's office"; and that the estimates do not, there-

fore, represent valuation for purposes of purchase or sale, or under condemnation proceedings.

The estimated cost, $9,000,000, of the Great Western Power Company plant is made up as follows:

Distributing system, proper	$5,500,000
Steam generating stations	3,000,000
Miscellaneous utilization equipment	200,000
General and miscellaneous	300,000

The estimated cost, $23,500,000, of the Pacific Gas & Electric Company plant is made up as follows:

Distributing system, proper	$16,000,000
Steam standby station	6,000,000
Utilization and street lighting equipment	1,000,000
Miscellaneous equipment and office property	500,000

The report refers to the New Martin substation operated by this company just across the county line. It is stated that should the City acquire the company's local distributing system the company would have no further use of either the New Martin substation or the transmission line from it to Newark substation; that both of these would be useful to the City, and if not taken over by the City would probably be a large element in the severance damage allowance; and that, therefore, their estimated reproduction cost, $1,000,000, should be added to the estimated cost of the distributing system, making a total of $24,500,000.

Some Conclusions

The data in this report leads to some very definite conclusions. The first is, that $15,000,000 will not be sufficient to take care of the entire Moccasin Creek output. The second is, that should we expend $15,000,000 for an initial competitive development we would have to spend an additional $1,000,000 to $2,000,000 a year, for expansion, to take on an additional load of 5,000,000 kilowatt hours annually. If, counting in the municipal load, we are able to sell 60,000,000 kilowatt hours the first year, five years after the start of operations we may have an investment of $20,000,000 to $25,000,000 in a distributing system with a market for only 85,000,000 kilowatt hours, or approximately only 40 per cent of the power. What effect this will have on the claims of high profits that have been urged is problematical.

The data included in the report also brings out the point previously emphasized that a partial bond issue can only serve to confuse the issue. Already the discussion of a $15,000,000 issue has given rise to the popular belief that this will put the City into the power business on a complete scale. Consideration of the data in the report indicates that a $15,000,000 issue would only be a beginning.

Financing of Municipal Railway Extensions

The question of how Municipal Railway extensions are to be financed has not as yet been settled, although the extension program which is still before the Board of Supervisors for financing was legislatively approved August, 1921. It has recently taken renewed prominence by reason of hearings on and public interest in the Mission-Sunset tunnel as a proposed artery for Sunset transportation, and a new proposal involving an expenditure estimated at $1,000,000 for a line to the territory on the eastern slopes of Twin Peaks.

Municipal Railway operations have run to a deficit for almost every month of the current fiscal year. Surplus funds have been practically wiped out principally by the construction of additions and betterments. The Supervisors' policy of building extensions contemplates the use of the Depreciation Reserve fund. This has been protested by the Bureau, and by the City Engineer, on the ground that an adequate Depreciation Reserve should be held for depreciation purposes to insure the continued operation of the road in the future, and on the further ground that the present balance in the Depreciation Reserve is probably inadequate, on the basis of the capital cost of the several classes of property and the expected life of these.

The balance in the Depreciation Reserve at the end of April, 1924, was $1,184,737. If the unwise course should be followed of using all of this for additions and betterments it would still be $2,450,000 short of the demands on it, as shown by the accompanying table.

Depreciation Fund and Proposed Additions and Betterments

1. Depreciation fund balance, April 30, 1924		$1,184,000
2. Additions required to existing system:		
Addition to Potrero Avenue Barn	$150,000	
Land for Potrero Barn and Shops	300,000	450,000
3. Depreciation fund balance		734,000
4. Extensions ordered by Supervisors:		
Ocean View	265;000	
Tracks, Mission-Sunset tunnel and Judah St.	563,000	828,000
5. Deficit		**94,000
6. Other Necessities and Proposals:		
Cars for Ocean View Line	45,000	
Cars for Sunset Line	300,000	
25 per cent of cost of Mission-Sunset tunnel	385,000	
Car Barn and Land in Sunset District	600,000	
New Line to Douglas and Army Streets	1,030,000	
Engineer's Estimate of Minimum Reserve	1,000,000	3,360,006
7. Total Deficit		**3,454,000

The latest proposed extension from Castro and Market Streets via Eureka Street and across lots to Douglas and Army Streets, in its origi-

nal form, was opposed by the City Engineer on the ground of prohibitive grades and high costs. An engineer retained by the interested property owners proposed an alternative route to the Public Utilities Committee. The City Engineer's report on this estimated that the trackage involved, with retaining walls and grading, exclusive of other items, would cost approximately $400,000.

No official estimate was made of the damages to be incurred by property contiguous to the line, the reconstruction and regrading of streets to be crossed, the purchase of eighty-three 25-foot lots traversed by the proposed route, and the removal of thirty-three houses. An unofficial estimate was given of $230,000 for purchase of rights of way, and $400,000 for street reconstruction, property damage and a tunnel under 24th Street. This would make a total of $1,030,000 thus unofficially estimated as the probable cost of this extension.

The Public Utilities Committee has recommended to the Supervisors that the construction of approximately one-half of the line be approved at this time. The City Engineer has characterized the proposed extension as "financial folly," and has reported that due to its high cost and its paralleling the existing Castro Street line, it cannot be expected to pay.

In the obvious condition of railway finances it would seem idle to give consideration to further proposed extensions, unless concurrent plans for financing those already ordered, together with any such new extensions, should be advanced. Serious consideration of additional proposed extensions can only add to the embarrassment of the legislative body, if there is any intention of building these, until such time as the financing of these extensions is placed on a sound basis. It is apparent from the accompanying tabulation that if the Depreciation Reserve should be completely expended—which is certain to invite trouble in the future—there would still be insufficient funds, by about $1,500,000, to do the work already ordered (exclusive of the newly-proposed extension), and to operate extensions after they are built.

Recent Important Municipal Events

East Bay Participation in Hetch Hetchy: East Bay Utility Commission has requested a meeting with the local committee, to discuss terms and conditions under which East Bay cities may participate in Hetch Hetchy; meeting date not set, on account of the illness of Chairman, Public Utilities Committee.

Bay Crossing Pipe Contract: The controversy over the award of contract for the Bay crossing pipe has been settled by local bidder withdrawing his protest. Supervisors repealed resolution ordering award canceled, and appropriated $200,000 to cover contract.

CEMETERY REMOVAL: Mayor advised Supervisors that he will refer to the people at the November election the four ordinances recently adopted providing for the removal of the Masonic, Odd Fellows, Laurel Hill and Calvary Cemeteries.

EMBARCADERO BUS LINE: Public Utilities Committee has received proposal from A. R. Meister to operate bus line on the Embarcadero, for one-half of an $18,000 annual subsidy for three years, the remaining half to be assumed by Harbor Commission. City Attorney advised Committee that payment of a straight subsidy would not be legal, but that same object may be accomplished by a transfer agreement whereby the City would stand the anticipated loss.

PROPOSED CHARTER AMENDMENTS: Two additional charter amendments (proposed by Supervisor McLeran) to authorize bond elections on the same date and with any other elections, and to create a utilities commission to operate and control city-owned utilities.

NEW RELIEF HOME: Board of Public Works authorized by Supervisors to construct the new Relief Home for which $2,000,000 was voted in 1922.

The Annual Salary Controversy

For the third consecutive year the Finance Committee and the balance of the Board of Supervisors have differed sharply on the matter of salary increases. The condition is traceable to charter provisions relative to positions and compensations. The situation out of which it grows is fundamentally wrong. This disturbs the morale of the municipal personnel and the proper control of forces by department executives, and introduces unnecessary political considerations into the administration and administrative forces of many departments.

Our Charter, adopted in 1898, attempted to provide against expansion of the municipal pay roll by specifically enumerating the number of employees and the compensations to be paid in twelve fiscal, legal and general departments of the City. Salaries, but not numbers, are specified for the police and fire departments, and for certain employees in four of the twelve departments mentioned.

In addition the Charter vests the Supervisors with salary fixing powers for laborers, the employees of their own office and of one other department; also, by general provisions, for the employees of six other small departments. Independent powers to fix compensations for their forces are by Charter vested in four boards and two commissions controlling six of the largest departments in the City. A few compensations are regulated by State law.

Salary-fixing difficulties in part grow out of the lack of centralized co-

ordinated control, which lack is an inevitable result of the independent salary-fixing authorities set up by the Charter. The principal difficulties, however, are occasioned by the exercising of salary fixing powers by the legislative body without scientific, comparative or equitable bases for the exercising of such powers.

Existing Salary Revision Procedure

The salary fixing controversies come up twice annually, first when the budget is being considered and adopted, and later when the salary ordinance, or the "additional positions" ordinance, is being amended to provide for the increases authorized in the budget.

During the budget-making sessions many requests for increases come before the Finance Committee. Some of these are submitted by department heads, others are submitted by employee groups with the approval of department heads, and others by employee groups without such approval. When the recently-enacted budget was adopted it was stated that one department head informed some of the Supervisors that if certain increases for his force were permitted to stand he would discharge the beneficiaries, as the increases were not recommended by him, and, if made effective, would disrupt his control of the office for which he is responsible.

The Finance Committee considers the many requests and makes recommendations to the Board based on its opinion in the various cases, but without any comparative analysis or classification of the municipal services, or of classes thereof taken as a whole. When the Finance Committee's proposed budget is before the Supervisors most of the requested increases not allowed by the committee are brought up by individual Supervisors presumably at the request of interested employees. Some of these may be voted into the budget by the Board; the bulk of such proposals, however, are usually "referred to the Finance Committee."

Subsequent to the passage of the budget the "additional-positions" ordinance must be amended to provide the Auditor with the legal basis for paying the increased salaries voted in the budget. This ordinance takes its name from a section of the Charter which provides that when any department requires additional employees, application shall be made to, and investigation made by, the Mayor; if the Mayor deems the additional employees necessary and so recommends to the Supervisors, the Supervisors by fourteen votes may authorize such additional employees and provide for their compensations.

Question as to Legality

This provision was used to raise Charter salaries (except for policemen and firemen, whose two increases were voted by the people) when such salaries were considered as inadequate due to the rise of living costs during the war. It is still used to raise existing salaries, which may or may not

be Charter salaries or for Charter positions. Such increases are of doubtful legality, as the Supervisors cannot legally amend the Charter by ordinance. To increase the probability of legality, titles of many of the Charter positions have been changed in the ordinance, to make them more apparently "additional positions"; in other cases the old Charter titles are repeated in the additional-positions ordinance.

The recent controversy which developed at the Supervisors' meeting of June 16th centered around the current annual revision of this ordinance. The Finance Committee reported a proposed revision to include increased salaries allowed in the budget, and about $12,000 of other increases proposed when the budget was under consideration by individual Supervisors and "referred to the Finance Committee." The Committee's failure to include other proposed increases was criticized; many amendments to the ordinance were offered by a number of Supervisors and the ordinance as so amended was "passed to print" by a vote of twelve to two.

Need of Salary Standardization Procedure

The increased salaries amount to an increase over the budget as adopted by the Board of Supervisors of approximately $40,000 for the coming year, and include about 200 employees. The City Attorney has ruled in previous years that fourteen votes are required to "finally pass" the additional-positions ordinance. In previous years the opposition of the Finance Committee's three members, plus the support or absence of other members, has blocked or held up the proposed increase. On Monday, June 23rd, with only thirteen members present, including two members of the Finance Committee who opposed the ordinance as amended, the ordinance could not be passed. It was, therefore, laid over a week and in the interim the City Attorney was asked to again submit an opinion as to the number of votes required on "final passage."

The existing procedure is undesirable on the basis of equity, businesslike methods, and morale of the City personnel. It forces City employees to solicit the support of individual Supervisors, frequently over the heads of or without the knowledge of their executive officers. It forces undesirable political considerations into many of the municipal services. It should be replaced by amending the Charter to provide for centralized classification of all employees according to duties, training, ability and seniority for equal compensation based on such classifications and for single centralized administration of such classification and compensation schedules. Such an amendment was overwhelmingly voted down at the 1922 election.

Separation of the Hetchy Hetchy Bond Issues

Last January when the Finance Committee urged legislative action to bring the proposed Hetch Hetchy water and power bond issues before the

people by April 1st, and, subsequently, by May 15th, this was opposed on the basis that the time was too short for the necessary educational campaign. At the request of the Mayor, the Supervisors in March decided upon September 2nd as the date for these elections. At the time this is written there is an interval of but little more than two months for the proposed campaign of education. Last January when the Finance Committee's proposal was considered, there was a period of from three to four and one-half months for educational work, dependent on whether the election was held April 1st or May 15th.

No apparent educational work has been carried on nor, as far as is known, have plans been laid for this. Instead, about the middle of June, an effort was publicly initiated to combine the coming water and power bond issues into a single issue, instead of permitting these to go before the people as two separate and distinct proposals.

A conference of the Mayor, Board of Supervisors, City Engineer, City Attorney and Citizens' Advisory Committee was called for Thursday, June 19th, to decide upon the forthcoming bond election, the method of presentation, and the amounts to be voted upon. It was stated that representatives of civic organizations were not expected to attend the meeting, so the only information as to discussions and decisions is as subsequently reported in the press.

The story carried by two papers implies that all differences of opinion on the question of a *combined* water and power bond issue were ironed out, and that only minor legal difficulties remained to be arranged for. The story carried in two other papers is to the effect that the City's New York bond expert, Judge John C. Thomson, advised against combining the bond issues; that the power and water phases, by precedent and procedure, have been and are separate; and that combining the two issues is almost certain to invite litigation and delay.

The story in one paper also stated that three members of the Citizens' Advisory Committee "expressed the opinion that the people of San Francisco would defeat the proposal to go into the power business if presented as a separate issue on the ballot. They urged that the water and power proposals be combined." The press states that the matter was put over a week to permit investigation of the points of legality raised by Judge Thomson. On Wednesday, June 25th, the Public Utilities Committee is reported to have adopted a resolution recommending a single bond issue for water and power bonds.

Arguments that have been urged in favor of combining the issues are to the effect: That unless the Hetch Hetchy power crop reaches the people within three years from next January the whole grant will be forfeited. (This is not in accordance with the provisions of the Raker Act.) That

the people in 1910 voted $45,000,000 as one bond issue for twin purposes, water and power. (The 1910 bond issue was for water alone without reference, direct or indirect, to power.) That the Raker Act requires both development on equal terms. (This is not in accordance with the provisions of the Raker Act.) That without the added investment to bring both water and power to market, our present investment of $45,000,000 is lost. (The Raker Act does not so provide.) These arguments not only do not check with the facts but they have no bearing on the question of combining or separating the water and power bond issues.

Separation as Opposed to Combination

An undesirable feature of combining the water and power bond issues into a single issue, is that by such a course the people will have no opportunity to register their will on both projects. Such a referendum would not be a true one. If there is to be no attempt at the campaign of "educating the public," the necessity for which was stressed last January, it may be felt that the power bond issue, standing alone, would not command popular support. That, however, is not a sound argument for forcing a vote on power bonds as part of a water bond proposition, which is considered as having the stronger public support.

The issue must ultimately rest on whether immediate municipal retail distribution of the power is desirable, or is desired by the people. If it is, and if the facts can be adequately presented, the people may be expected to vote for it. If the people cannot be convinced of its desirability, they cannot be expected to vote power bonds, whether standing alone or combined with some other issue.

Another undesirable feature of combining the two propositions into a single issue, would be the loss of popular check or control against future legislative appropriation of the bund funds to either power or water purposes. If, for example, $40,000,000 should be voted by the people on a campaign to use $25,000,000 to construct water tunnels, and $15,000,000 to acquire or construct a power distributing system, there would be no legal check to prevent legislative appropriation of the $40,000,000 to construct a local power distributing system, solely.

If the "will of the people" is more than just a phrase, they should have the opportunity of expressing their will in these two matters. Every effort should be made, in the interest of informed, intelligent public opinion, to acquaint the people with the facts on both the water and the power phases. It must not be lost sight of, in spite of the many announcements purporting to interpret the wishes of the people, that they voted $45,000-,000 in 1910 for water, and water alone; and, further, that the coming election offers the first opportunity they have had for expressing, by their votes and their credit, what is their will as to power distribution.

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The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. IV July, 1924 No. 7

Hetch Hetchy Bond Elections Deferred

The 1924-25 Tax Levy

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A Proposed Policy for Charter Amendments

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Hetch Hetchy Bond Elections Deferred

The Hetch Hetchy water and power problems have lain dormant during the recent past, due to the inactivity of the Public Utilities Committee, which in turn has been due to the disability of two of its three members. It became apparent about the middle of July that it would be impossible to hold a bond election on September 2nd, as originally planned by the Supervisors, due to the interruption in the chain of legislative proceedings required by the Charter to bring a bond issue to a vote. For a September 2nd bond issue, the last date for passage of the second ordinance of the required series was July 21st; this could not be passed until two formal resolutions required by the Charter soliciting, respectively, offers of sale to the City of privately-owned water tunnels or electric distributing systems, had been adopted by the Supervisors. These resolutions were introduced in June, but had not been reported back by the Public Utilities Committee, to which they were referred.

The first meeting of the Public Utilities Committee, after its enforced adjournment, was on Wednesday, July 23rd. At that meeting, little reference was made to the matter of a power bond issue. A letter from the Chairman of the Committee, still absent by reason of illness, expressed as his opinion, that the City Engineer's estimates of $45,000,000 for a municipal distributing power system if constructed, new, and $32,500,000 as the "historical reproduction" cost of the two local privately-owned electric distributing systems were too high and did not furnish a sound basis for

the Supervisors presenting a power bond issue to the people. The communication suggested, therefore, that the power bond issue be deferred until the valuation of the privately-owned systems, now being made by the Railroad Commission, is completed next year.

Relative to a bond issue for water purposes, the communication expressed the opinion that a $25,000,000 issue to construct the tunnels, a seventeen mile tunnel through the Sierras, and a thirty-one mile tunnel through the Coast Range, is not required at this time, and recommended that a bond issue for $8,000,000 only, to cover the cost of the seventeen mile Sierra tunnel, be proposed at this time. It was stated that by such tunnel construction Hetch Hetchy water could be brought to Oakdale where it could be picked up by the East Bay communities, and that present expenditures for the long Coast Range tunnel would be non-revenue-producing for a long time to come.

The City's special Hetch Hetchy counsel argued before the committee that the entire water bond issue was required at this time. It was stated that the City had to maintain due diligence in construction and in putting the water to beneficial use, to preserve its legal rights to the Hetch Hetchy water, and that it might jeopardize its title by restricting its construction and expenditure program to only those portions of the project that, in consideration of possible East Bay use, might be considered as revenue-producing.

At the Board meeting of July 28th, the Committee filed its report, which was laid over for one week, recommending: An $8,000,000 bond issue for the 17-mile Sierra tunnel; the postponement for two years of additional water bond issues; the submission of a charter amendment to raise the City's debt limit from 15 per cent to 20 per cent of assessed valuation; and the submission of a power bond issue next March, subsequent to evaluation.

If the plan for a smaller bond issue is adopted, new legislative proceedings will be required. If the initial ordinance thereof should be passed at the next Board meeting, on August 4th, the earliest date at which an election could be held would be October 2nd.

The 1924-25 Tax Levy

The Charter requires that on or before the third Monday in September, the Board of Supervisors shall adopt a tax rate ordinance which will fix the rate necessary to raise a sufficient sum—together with the amount estimated to be received from miscellaneous sources—to fund the current year's budget.

The Finance Committee, in its budget report to the Supervisors last April, stated that by using part of the Hetch Hetchy Operative Revenue Fund for the payment of bond interest, the $3.47 tax rate, in effect for the last three years, could be maintained. No revenue estimates accompanied the Finance Committee's budget report. Although the tax-rate ordinance will probably not be presented until early in September, the Bureau has compiled such information of probable revenues as is now available, for the purpose of estimating the probable tax rate and the funding measures that will be required.

The Assessor has reported the amount of the non-operative assessment roll, available for City and County taxation, as $681,305,861. This is an increase of $37,000,000 over the 1923 roll, which will mean, under the same $3.47 tax rate, an increased revenue from taxes of $1,283,000 more than was raised on last year's roll. The roll is subject to changes which may be made by the Board of Equalization, or by the Auditor in checking.

The total of the budget as adopted by the Board of Supervisors is $27,185,336. This, however, does not represent the total of expenditures to be funded. The budget appropriation for bond interest and redemption is $4,683,779. The Auditor's estimate of the amount necessary for this purpose is $5,782,717 (exclusive of Municipal Railway debt charges, and of interest on Relief Home bonds to be sold August 18th.) The difference, $1,028,938 is partly covered by State refund on bonds sold prior to 1910, reinvestment income from idle bond funds, and interest to be paid by the Spring Valley Water Company in accordance with its contract for the use of the Bay Division pipe line now being constructed. The balance, approximately $452,000, will probably be taken from the Hetch Hetchy Operative Revenue Fund.

It will also be necessary to provide about $120,000 to cover tax judgments for which no budget appropriation was made. These judgments are for illegal taxes levied in past years; their payment is required by writs of mandate issued by the courts. The Supervisors are proceeding to pay these, a total of approximately $1,000,000, in ten annual installments with interest at 7 per cent per annum on deferred payments.

These additional amounts for debt charges and tax judgments when added to the budget total, make a total of $27,757,635 to be funded. To determine the amount to be raised by taxation, the "miscellaneous" and other revenues must first be deducted. It is conservatively estimated—including State payments for school aid, widows' and orphans' pensions, etc., school rents and miscellaneous receipts, delinquent taxes, licenses, fees and other miscellaneous revenue—that these will amount to not less

Comparative Tax Levy Data

	1923-24	Estimate 1924-25
Authorized Budget	$25,708,566	$27,185,336
Additional Bond Interest and Redemption	268,658**	452,299**
Auditor's Estimate (Excl. of Municipal Ry.)	$ 5,402,278	$ 5,782,717
Less Budget Appropriation	4,219,828	4,683,779
" State refund on bonds prior to 1910	179,883	171,639
" Reinvestment income from idle funds	675,875	275,000
" Interest from Spring Valley	58,034	200,000
Additional for Tax Judgments	$ 118,883	$ 120,000
Total to be funded	$26,096,107	$27,757,635
Revenue from State—schools, widows, minors, etc.	1,745,493	1,764,065
" school rents and miscellaneous	110,938	110,000
" redemption of property, delinq. taxes	186,344	175,000
" licenses, fees, fines, etc.	1,956,131	1,955,010
Deduct direct payments, to pension fund	(66,000)	(65,000)
TOTAL REVENUES	$ 3,932,906	$ 3,939,075
BALANCE, to be raised	$22,163,201	$23,818,560
Plus, delinquent taxes	129,048	125,000
" leeway or reserve for emergencies	(incl. in coll.)	150,000
TAX LEVY, required	$22,292,249**	$24,093,560**
Actual Levy, $3.47 rate	22,353,066	23,641,313
Surplus (Deficit)	$ 60,817**	$ (452,247)**

**Exclusive of use of Hetch Hetchy Operating Fund.

than $3,939,075. This leaves $23,718,560 to be raised; to this should be added $125,000 to cover estimated tax delinquency and $150,000 as a leeway or reserve for emergencies (in addition to the $100,000 Urgent Necessity fund), making a total of $24,093,560 to be raised by taxation.

The $3.47 rate applied to the assessment roll as reported by the Assessor would produce $23,641,313—$452,247 less than it is estimated will be required. It is presumed that this shortage will be made up from the Hetch Hetchy Operative Revenue Fund. At the present time this fund amounts to approximately $1,200,000, and represents earnings of the Hetch Hetchy Railroad, power sales, etc. There is a question as to the legality of such use which has not as yet been settled.

The necessity of the involved research and the unofficial compilation of estimates on items and amounts, incidental to the tax rate and expenditure program,—data that should be officially prepared and publicly stated—emphasizes the need of an improvement in the City's budget procedure. The *real* budget of the City is millions in excess of the formal budget adopted by the Supervisors, but that portion not formally adopted receives little official and less public scrutiny. That portion of the expenditure program included in the budget is considered as a program complete in itself; the estimates

of revenue necessary to fund the budget are not considered until months afterward, and then, usually, only en masse.

Enlightened public interest in public affairs demands that such unnecessary complexities be abandoned and that simpler, more businesslike procedure be followed, to promote an intelligent understanding by citizens of their municipal affairs.

A Proposed Policy for Charter Amendments

The period in which charter amendments will be proposed by or suggested to the Supervisors for inclusion on the November ballot is nearly at hand. This comes only in each even-numbered year, due to the legal provision that these may be voted only within ninety days of the convening of the Legislature, or before adjournment of that body. They are usually presented and voted upon at the general election in November, at which time the people also ballot on a large number of State legislative and judicial candidates and county committeemen.

At each such biennial election the burden placed upon the voter is a tremendous one. In addition to a formidable list of candidates for various offices, he is asked to vote on a large number of State constitutional amendments and initiated and referended measures, as well as all charter amendments placed on the ballot by the Supervisors or by initiative petition. At the election of 1920 there were 20 State and 28 local measures, a total of 48. At the last election, in 1922, there were 29 State measures, one memorial to Congress and 23 charter amendments, a total of 53. It is obvious that few among the voters have the time and patience to intelligently analyze such large numbers of proposals put before them. Because of this, considerable public sentiment has developed under the slogan "If in doubt, vote 'No'."

The Board of Supervisors can render a real public service by shortening the ballot on which the people will have to vote at the coming November election. At each general election many amendments are placed on the ballot by the Supervisors at the request of various groups, rather than by reason of Supervisorial convictions. The Supervisors can shorten the ballot by adopting in advance the principle of not placing thereon amendments designed to favor individuals, or dealing with relatively unimportant things.

From the constructive side the Supervisors might well adopt a policy of restricting measures to be placed on the ballot, to those designed to effect necessary fundamental changes in the obsolete Charter under which San Francisco is forced to operate. Among such fundamental changes that are required might be mentioned:

Salary standardization, which is now impossible by reason of existing Charter provisions.

An improved budget and financial procedure, which while not impossible under existing Charter provisions, probably cannot be secured without change in the law.

Repeal of independent expenditure powers granted to various operating departments.

The revision of obsolete appropriation provisions which now prevent the City from taking trade discounts on the purchases it makes.

The reorganization of the important operating departments, substituting single executive heads in lieu of existing boards and commissions.

The establishing of procedure whereby street improvement work would be financed by the City on the progress payment plan and the City reimbursed by special assessment collections at a saving to property owners assessed.

The creation of a Utility Commission to manage and operate publicly-owned utilities.

Contrast with a Model Budget System

Reference has frequently been made in these columns to the fact that the San Francisco budget falls short of what a real budget should be. Emphasis has been laid on the fact that our budget is only a partial expenditure program, considered as "only an estimate" and not as a financial program to be lived up to; that many of the budget appropriations are made as lump sums; that adequate accounting control is lacking; that no estimate of revenues is included in the budget; and that there is not provided a complete, balanced, pre-determined annual expenditure and funding program for the City's operations.

Certain of these defects are due to Charter provisions under which our City officials are required to operate; others are chargeable to the procedure that is followed by the Supervisors. In sharp contrast with the San Francisco budget, is the budget of the city of Detroit. The Detroit budget for 1924-1925, as reported by the Detroit Bureau of Governmental Research, totals $103,742,757; what might be called the "tax budget," corresponding to the San Francisco budget, amounts to $51,476,677. The budget shows all sources of income to fund the expenditures authorized, and the amount of each; these include taxes, bond issues, water and railway revenues, balances from previous appropriations, revenues from licenses, permits, fines, interest, etc.

The pamphlet of the Detroit Bureau of Governmental Research states, *"The budget is the financial and work program of the City for the ensuing year,—a list of the activities to be performed and improvements to be acquired, together with their estimated cost, and the manner of financing*

them. The budget balances income and outgo, helps reveal and eliminate unnecessary and extravagant expenses, facilitates businesslike purchasing, gives citizens a correct picture of the character and cost of the numerous activities, and develops a "budget conscience" in public officials in proportion as public interest and understanding is manifested. Detroit's budget procedure is a modern and effective one. It includes all financial transactions except special assessments, trust funds, and improvements voted by the people."

In contrast, the officially-adopted budget of San Francisco for the fiscal year 1924-25, amounts to $27,185,336, although the expenditure program for the City will probably exceed $43,000,000. The Bureau estimates that this expenditure total will be made up as shown in the accompanying table.

ESTIMATED EXPENDITURE PROGRAM 1924-25

1.	Budget, as adopted	$27,185,336
2.	Debt requirements $5,833,779; budget appropriation therefor $4,683,779—difference	1,150,000
3.	Mandatory 1/10th payment on tax judgments, no budget appropriation therefor, estimated	120,000
4.	Miscellaneous revenues: Average annual excess of collections over estimates	350,000
5.	Miscellaneous revenues: Applied to Police Pension Fund	72,000
6.	Fire Boats: State revenue applied on operating costs	67,500
7.	County Roads: Revenue from State used for construction	650,000
8.	Park: Revenue from concessions, applied to operations	150,000
9.	Library: Revenue from fines, applied to operations	18,000
10.	Municipal Railway: Revenues expended for operation and other charges, estimated	3,400,000
11.	Auditorium: Revenues applied on operating expenses	135,000
12.	Side Sewers: Fees applied on operating expenses	130,000
13.	Water Works collections, Sheriff's fees, etc., applied on operating costs	36,000
14.	Hetch Hetchy: Estimated expenditures from bond funds	5,860,000
15.	Relief Home: Estimated expenditure from bond funds	900,000
16.	Schools: Estimated expenditures from bond funds	3,000,000
	TOTAL	$43,223,836

It should be apparent that an orderly financial plan cannot be evolved by a consideration of only a portion of the expenditures required, and with no consideration of the revenue side of the budget. The City's budget should include its whole financial program for the year. It should have a degree of elasticity so as not to hamper operations. It must, however, have sufficient rigidity to force economy.

Most of the defects of our budget system are defects of procedure that are correctable by the Supervisors. The others are easily apparent and could be corrected by charter amendment prepared by or under the direction of the Supervisors and placed by them on the November ballot for adoption by the people.

The City

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Vol. IV August, 1924 No. 8

The $10,000,000 Hetch Hetchy Water Bond Issue

Municipal Railway Financial Statement

The City's Policy on Special Assessments

Issued by

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The $10,000,000 Hetch Hetchy Water Bond Issue

The Board of Supervisors on August 7th and 8th decided on a program of action relative to Hetch Hetchy development that seems to have stilled the controversy over what was apparently a direct conflict between the water and power phases of the project. The proposal of a combined bond issue for water and power has been abandoned, as has the proposal for a $33,000,000 bond issue, at this time, to construct the remaining 100 miles of water tunnel and pipe line. Instead, legislation has been enacted to bring before the people on October 7th, a $10,000,000 bond issue to provide funds for three years for construction work. At the same time, a pledge was voted to propose to the people, when needed, but not before 1926, a bond issue for the balance required at that time to complete the project.

The suggestion of a partial bond issue for power distribution has likewise been abandoned; in lieu thereof, agreement was reached to postpone such election until after the State Railroad Commission's valuation is available, which will probably be in June, 1925. And finally, the Supervisors decided to submit to the people at the November election, a charter amendment designed to raise the city's charter debt limitation, stated as necessary to provide funds for future water and power financing.

The proposed $10,000,000 bond issue is intended to finance the completion of the 17-mile Sierra tunnel from below the Moccasin Creek power house west to the San Joaquin Valley, also a 3½-mile tunnel from Alameda Creek to Irvington at the westerly end of the long Coast Range tunnel. According to the City Engineer the latter construction will permit the conveying of water from Alameda Creek to the peninsula reservoirs by gravity, thus eliminating Spring Valley Water Company's pumping ex-

penses; in consequence thereof an agreement is contemplated with the Company for carrying part of the interest charges on this 3½-mile tunnel.

The Superivsor's legislative course has been submitted to and approved by the city's bond advisor, Judge J. C. Thomson of New York City. As stated it will provide for three years' work. According to the City Engineer about 2½ years hence it will be necessary to ask the people for the additional $23,000,000 that will be required to bore the remaining 27 miles of Coast Range tunnel and to construct the 42-mile pipe line across the San Joaquin Valley. As it is estimated that the tunnel boring will require five years, this construction and financing program will require eight years to complete.

The Supervisors' declaration of policy in postponing the power bond issue until the Railroad Commission's evaluation figures are available means that the people will have some information as to the capital costs that will be involved before they will be asked to vote on the question. The policy established does not deal with the power crop, which according to the City Engineer, will be available next January, and for which, according to the City Engineer's reports, the City can secure from $2,000,000 to $2,150,000. per year. With valuation figures available in June, 1925, probably the earliest possible power bond election will be September, 1925—at least a nine months' period of non-productivity for the power plant.

The decision to submit a Charter amendment to a vote of the people to increase the city's bonded debt limitation, grows out of a report by the Public Utilities Committee on July 28th last, in which it was stated that the city's present leeway for new debt is $20,000,000. The Bureau estimates that this leeway is $38,000,000 or $18,000,000 more than the figure used by the Public Utilities Committee. This is on the basis that school bonds are, by state law, exempt from the Charter debt limitation, and are beyond the power of a municipal or county charter to restrict. The Bureau in a communication to the Board of Supervisors outlined the situation and urged the Supervisors to secure an opinion from the City Attorney on the matter. The letter was not presented to the Board of Supervisors by the Clerk of the Board and thus far no steps have been taken to secure such opinion.

The Utilities Committee proposed that the present Charter debt limitation of 15% of assessed valuation be increased to 20%. In the resolution of policy adopted by the Supervisors the increase to 20% or the exclusion of water bonds to be issued in the future, were suggested as alternatives. The City Engineer's report of July 31 last, suggested either method or the exclusion of bonds of self-sustaining utilities.

A debt limitation of 20% of assessed valuation, if legal, would, on the basis of the 1924 assessment roll of $684,000,000, and counting present exemptions (Exposition and School bonds), permit of a gross debt of $158,000,000, plus whatever bonds may be voted for Market Street Rail-

way purchase. This would represent an increase of possible gross debt, over the present 15% debt limitation, of $34,000,000, which increase would pyramid with the increase in assessed values. The exemption of future water bond issues would include $23,000,000 for Hetch Hetchy, $38,000,000 or more for the Spring Valley purchase and perhaps $4,000,000 for additional City storage reservoirs—approximately $65,000,000. The exclusion of self-sustaining utilities, if these were required to be actually and not prospectively self-sustaining, would at the present time exclude only $3,910,000 of Municipal Railway bonds.

Municipal Railway Financial Statement

The income account of the Municipal Railway for the fiscal year 1923-24 has been compiled by the Bureau of Governmental Research from the monthly reports of the Board of Public Works and is presented herewith. This shows the slump in net revenue as compared with the preceding fiscal year and shows also, for the first time since operations were started in 1912, an actual cash deficit for the year. The "operating ratio"—the ratio of operating expenses to operating revenue—has increased, being 79.6% for 1923-24 as compared with 77.7% for the preceding year.

The income account presented herewith is set up to follow the form used in private corporation accounting. This in most particulars is similar to the form used by the Board of Public Works except that in the official statements the Depreciation Reserve is shown as a single sum as though entirely available for depreciation purposes (which is not the case), and non-operating income is added to operating income. The monthly figures used in compiling the report are "subject to adjustment" when the annual report is compiled by the Board of Public Works. Such adjustment usually has the effect of decreasing net revenues by a few thousand dollars.

It will be recalled that during the last fiscal year, prior to the 1923 election, the legislative body ordered that through service be provided on the Taraval Street line, which increased service was ordered over the objections of the City Engineer and the Superintendent of the railway. These officials urged that the traffic would not justify the increased expense, that the apparent increased service would actually represent fewer cars per day and that the increased cost would result in a large deficit. At about the same time a wage increase for platform men was approved and granted by the Board of Public Works.

Although it is not possible to directly appraise each of these items of increased expense in the income account for the whole system, the effect of the additional expenditure for either or both is indicated in the tabulation. The increase in passenger revenue—$179,300 as against $109,000 for the previous year—has been completely overcome by an increase of $207,000 in operating expenses. The profit to be expected from normal increase in

traffic over existing lines, with little or no increase in service, has been wiped out by the increased operating expenses.

The pasesnger revenue amounted to $3,173,131, an increase as stated of $179,302; including miscellaneous revenues the operating revenue totaled $3,198,874.

Operating expenses totalled $2,547,754, an increase of $207,388 over the preceding year. Every item of operating expense shows an increase except "equipment" which is made up principally of operating expenses on cars and their electrical equipment. The largest increase is $151,505 for "conducting transportation" which is made up almost entirely of conductors' and motormen's wages.

The net amount set aside in the so-called Depreciation Fund was $311,845, a slight increase over the preceding year. The term "depreciation reserve" for this fund is a misnomer. Under the Supervisorial policy of financing extensions it has been, and is being, appropriated and used for extensions, additions, betterments and other purposes as though it were a "surplus fund." The appropriations already made and the construction and equipment predicated against this fund exceed by about $500,000 the balance of $1,145,000 still remaining in the fund.

Income received as interest on securities in which Depreciation Fund balances are invested is credited to the Municipal Railway fund and not to the Depreciation Reserve. It is, therefore, taken account of as non-operating income. This revenue amounted to $43,758, a decrease from similar revenue of the preceding year. It was this source of income for the preceding fiscal year 1922-23 that prevented an actual cash deficit in the operation of the system for that year. It should properly be credited to the Depreciation Reserve where it is earned. This should tend to build up in small measure the depletion and diversion of this fund from the purpose for which it is intended.

The statement shows non-operating income in the form of a compensation insurance fund dividend for the fiscal year 1922-23 but none for the fiscal year just closed. The City carries its own compensation insurance, creating a reserve fund for this purpose by payments out of railway revenues, at the same rates as though this insurance were carried with the State insurance fund. The practice has been to declare a dividend at the time when a dividend is declared and paid by the State fund, and at the same rate.

Interest on and redemption of Municipal Railway bonds are carried out of revenues. These debt charges amounted to $396,212 for the year. With their payment an actual cash deficit of $13,179 is shown.

The so-called "charter comparison charges," estimated by the Bureau as approxmiately $304,750, are not paid by the system. They represent expenses, principally State and Municipal franchise and gross revenue taxes, that the system would have to pay were it privately owned and operated. Under the charter the City is required to show these in its accounts. If

the Municipal Railway system had to pay these charges such payments would increase the actual cash deficit to a total of $317,929. On the other hand, however, under the usual financial practice of privately-owned systems, the debt would not be retired and thus the item of $200,000 actually paid from Municipal Railway revenues for the redemption of debt could be considered as an offset to these taxation charges which it does not pay. This would reduce the theoretical deficit to approximately $118,000 for the year.

COMPARATIVE INCOME ACCOUNT—SAN FRANCISCO RAILWAY
LAST TWO FISCAL YEARS ENDING JUNE 30, 1923 AND JUNE 30, 1924
(Compiled by Bureau of Governmental Research from Official Monthly Reports)

	1922-23	1923-24	Increase *Decrease*
Passenger Revenue	$2,993,829	$3,173,131	$179,302
Miscellaneous Revenue	19,723	25,743	6,020
OPERATING REVENUE	$3,013,552	$3,198,874	$185,322
Operating Expenses:			
Ways and Structures	$ 104,790	$ 110,815	$ 6,025
Equipment	220,995	190,739	*30,256*
Power	424,751	465,882	41,131
Conducting Transportation	1,371,858	1,523,363	151,505
Traffic	16	110	94
Workmen's Compensation Insurance	47,274	52,791	5,517
Other General and Miscellaneous	131,472	144,726	13,254
*Accident and Damage Claims (D. R.)	39,210	59,328	20,118
TOTAL OPERATING EXPENSE	$2,340,366	$2,547,754	$207,388
NET OPERATING REVENUE	673,186	651,120	*22,066*
*Depreciation Reserve, net (D. R.)	298,679	311,845	13,166
OPERATING INCOME	$ 374,507	$ 339,275	*$35,232*
Interest Received on Securities Owned	55,297	43,758	*11,539*
Compensation Insurance Fund Dividend	25,713	.....	*25,713*
TOTAL NON-OPERATING INCOME	$ 81,010	$ 43,758	*$37,252*
GROSS INCOME	$ 455,517	$ 383,033	*$72,484*
Taxes—(Not Paid, See "Comp. Chgs.")	.....	.....	.....
Interest on Funded Debt	205,754	196,212	*9,542*
SURPLUS	$ 249,763	$ 186,821	*$62,942*
*Redemption of Debt (D. R.)	201,000	200,000	*1,000*
TO SURPLUS	$ 48,763	($13,179)	*$61,942*
Comparison Charges—Taxes Not Paid	285,877	304,750**	18,873
THEORETICAL DEFICIT	($237,114)	($317,929)	$ 80,815

*B. P. W. accounts include in "Depreciation Reserve."
**Estimated by Bureau. ( ) Deficit.

The financial statement taken with the developments during the year on

extension policies and financing is not encouraging. For the first fiscal year of its operation the Municipal system (whose redemption of debt is more than overbalanced in its favor by its freedom from taxation) has run to an actual cash deficit. With privately-owned street railway systems as a whole reporting encouragingly on the decrease of their "operating ratios," the Municipal system is apparently moving in the other direction.

The most encouraging period for the Municipal Railway was its successful beginning when it made large profits from traffic from developed territories and competitive short hauls, and served as a development factor in building up new areas and creating new wealth and new traffic. Its initial success, which led to the fallacious belief that it is a "gold mine" that could be tapped at will, will probably prove to be its greatest handicap.

The City's Policy on Special Assessments

There is an apparent and growing tendency in the legislative consideration of municipal projects to curtail the principle of special assessment for the financing of all or part of these, and on the other hand to extend the principle of financing these out of City funds. Such a tendency is of the utmost importance as a development in local financial policies, and one that should engage the interest and attention of every taxpayer.

The theory on which the principle of special assessments has been developed is that if a public improvement benefits property contiguous or adjacent to, or affected by the improvement to the extent of creating new and additional values to the owners of such property, the owners should assume all or part of the cost of the improvement. Thus such owners are required to make a special personal investment in the improvement which creates a special increase in valuation to their personal holdings.

The alternative, that of the taxpayers as a whole paying for the improvement, means that the taxpayers as a body make the entire investment for which the individual owners reap a special increase in valuation to their property holdings. The fact that the improvement may benefit others in addition to the owners of contiguous, adjacent or affected properties—that it may even assume the proportions of a general city benefit—should not be the determining factor in the financing of such projects with City funds. Rather, the determining factor should be the appraisal of special benefits to accrue to private holdings, and on the basis of such appraisal, the determination whether they should pay all or part of the cost of the improvement.

The benefits to be derived from particular projects may be widely diffused so that the equitable appraisal of the special benefits may be difficult. Just as the courts have held that there is no such thing as absolute equitable taxation, the practical difficulties and human equations may prevent absolute equitable special assessments to recover the costs of special benefits.

The recent study and report of the National Municipal League's Committee on "New Sources of Municipal Revenue" urges the development of special assessments on the basis of equity, and as a measure to relieve the general taxpayers of the growing cost of municipal government. No case of the abandonment of this principle of municipal finance is known, whereas its growing extension in many cities is reported. The tremendous improvement program of our sister city to the south has been financed in large part by means of special assessments including even storm and sanitary sewer projects and park development.

The City Club of New York after a study of the tremendous increase in values and the creation of new wealth by new subway extensions, recommended that the cost of future extensions be borne by the property to be benefited, rather than by the general taxpayers of the City as a whole. The Detroit Railway Commission, in proposing a transit development plan for that city, recommended after its study of values and effects, that a large part of this be funded by special assessment.

One of the early evils in municipal government and administration, growing out of the old practice whereby the cities paid for all improvements, resulted, on the one hand in political pressure, influence and graft to secure favored improvements, and on the other hand, in politically-weak sections of the community suffering for lack of needed improvements.

It is not intended to overlook the objection to special assessments that grow or have grown out of real or fancied inequities in the spreading of individual assessments. Errors in method, if any, are not sufficient cause for abandoning a sound, practicable, equitable and workable principle such as this. Inequities apparently important, are often trifling when considered in proper relation. If, of two parcels which should apparently be subjected to the same assessment, one is assessed for $100 and the other for $150, it would seem that injustice and discrimination may have stepped in; if, however, both will benefit to the extent of $1,000, the difference may be considered as trifling especially if due to the inability to establish absolute equity in special assessments.

San Francisco should give careful consideration to the problem before considering the abandonment or the curtailment of the policy of special assesments as a means of financing municipal improvements. Our procedure is no doubt susceptible of improvement. Appraisal of benefits can perhaps be developed in more detail and with greater precision. A policy of initial financing by the City can be established, and possibly also, if desired despite its higher interest cost, the payment of special assessments can be deferred until the benefits have actually started to accrue.

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A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. IV September, 1924 No. 9

The Garbage Question Revived

The $10,000,000 Water Bond Issue

Charter Amendments

Major Amendments

Minor Amendments

Amendments Not Submitted

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The City

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The Garbage Question Revived

On September 24th, the garbage question was again revived as a current municipal problem. This was brought about by a proposed ordinance recommended by the Health Officer and designed to establish a contract system of collection through a single contractor. The Health Officer in support of his recommendation stated that the Health Department, which is responsible for supervising the collection of garbage and refuse by individual scavengers, and adjusting complaints, has been unable to enforce satisfactory collections in outlying districts.

The Bureau has long been of the opinion that the perennial "garbage question" will not be settled satisfactorily until it is taken over as a municipal operation. It is an intimate housekeeping and sanitary function that can never be satisfactorily handled in private hands, no matter how rigid the inspection provided or the penalties imposed. The collection of garbage and rubbish is, and for decades has been, almost universally recognized as a municipal activity for this reason. Contract street cleaning, likewise, has been abandoned by municipalities and this work taken over by the several cities for the same reason. Health and sanitation requirements must be the first consideration, but in private hands sanitation has usually been secondary to profits.

The local garbage problem involves the two phases of collection and disposal. Collection is handled by individual scavengers operating under Health Department licenses and restricted by ordinance to maximum rates

that may be charged. Investigation and adjustment of complaints is a function of the Health Department and is handled by two inspectors, one of whom is a representative of the scavengers association.

Disposal is affected by burning and dumping. The scavengers as a body operate the old incinerator at Rhode Island, De Haro, Alameda and Fifteenth Streets, which is owned by the city and is used by the scavengers without cost. The scavengers pay into their operating fund, a fee for each load they haul to the incinerator. The revenue from such payments is used by their superintendent to pay the operating expense of the plant and the cost of such maintenance and upkeep as is necessary to keep the plant operating. The garbage after being partly burned is loaded into railroad gondola cars—about forty per cent residue—where it is allowed to cool and then hauled to a dump.

The incinerator has for years been a source of complaint. An official of a neighboring city, after investigation of incinerators in many cities for the purpose of deciding on the best type for use in his city, stated that the old San Francisco incinerator was the worst he saw in his inspection tour.

It is estimated that the scavengers collect from $900,000 to $1,250,000 per year from householders, building owners and firms of the city for collection and disposing of garbage and rubbish. It is also stated that they pay for table refuse from hotels and restaurants because of its value for hog feed.

The Bureau participated actively with the Health Department, the City Engineer's office, the San Francisco Center, and other agencies in the various war-time studies of the garbage situation—the aim at that time being the conservation of food—and in the later studies which culminated when the present maximum-rate ordinance was adopted. It may be recalled that the Board of Supervisors at that time (1921) attempted to solve the situation by establishing maximum rates and soliciting bids from persons or firms who would contract for the collection for the whole city. The basis of competitive bids was to have been on competing scales of rates not in excess of the maximum provided by ordinance. This plan fell through due to the fact that no bids were received.

The existing ordinance and procedure—maximum rates, licensing of individual scavengers, inspection by the Health Department and vesting of disciplinary power in the Health Department—was then developed. Although not ideal its operation was infinitely more satisfactory than the previous unregulated scavenger system. The previous continual stream of complaints relative to rates, service and instability has considerably diminished.

The whole subject matter, however, will continue to be a problem until it is taken over as a municipal activity to include both collection and disposal. In comparison with the minimum estimate of $900,000 as the

present cost of collection, municipal collection, in addition to adequate control of the service, should represent important savings to householders, building owners and business firms, even assuming shorter hours and a smaller collection per man for municipal forces.

The $10,000,000 Water Bond Issue

One of the most important questions that has been placed before the people of San Francisco in a decade comes up for determination at the special election on October 7th. The specific proposal on which the people will vote is to authorize a municipal indebtedness of $10,000,000 to continue the construction of the Hetch Hetchy water project. Involved in the voting on the question are such momentous matters as the future of the City's most important project, the safeguarding of the $45,000,000 already invested therein, and the protection of the City's legal rights to its future water supply in which it has already invested so heavily.

Enclosed herewith is a copy of a report issued by the Chamber of Commerce, dealing exhaustively with the $10,000,000 bond issue, the history of the project, the legal and other phases involved, and the cogent reasons why the bond issue should be voted. The Bureau, in its capacity as a staff and research agency for the five committees of the Chamber engaged on municipal affairs, cooperated with the Chamber's Water and Power Committee in the preparation of this report. An independent Bureau report on the subject would be largely reiteration.

The $10,000,000 bond issue is the first step in a definite financing and construction program designed to bring Hetch Hetchy water to San Francisco in eight years. The proceeds of the bond issue will, (1) complete the 17-mile Foothill Range tunnel from the Moccasin Creek power plant to the San Joaquin Valley, (2) finance the sinking of shafts along the line of the 31-mile Coast Range tunnel, to expedite the later boring of this tunnel, and (3) provide funds for starting on the westerly end of this long tunnel. The bond issue is specifically and exclusively for water construction, and will provide funds for three years' work. About three years hence, in accordance with the policy adopted by the Supervisors, an additional bond issue of $23,000,000 will be submitted to the voters to provide funds for a 42-mile pipe line across the San Joaquin Valley, and to bore the 31-mile Coast Range tunnel. It is estimated that this second step in the construction will require about four and one-half years.

The immediate necessity of voting the $10,000,000 bond issue is twofold. First, "due diligence" in construction is required under State laws to preserve the city's legal rights to the Tuolumne water. Continuous construction as an evidence of "due diligence" depends upon the availability of funds. Failure to provide the necessary funds may seriously jeopardize the city's ownership of and right to the water it has impounded in the

mountains. Should such ownership and rights be impaired much of the $45,000,000 already invested will have been wasted. And secondly, if the bonds are not voted October 7th the city's trained organization—including engineering, construction, commissary and transportation units—will have to be disbanded. Even though another bond issue should be proposed and voted soon after, such disbanding and subsequent reorganization will mean a loss running into hundreds of thousands of dollars.

The Bureau after its long and detailed study of the Hetch Hetchy problems, and in its previous discussions of the subject, has emphasized that the completion of the Hetch Hetchy water project is San Francisco's most important municipal problem. If this is to be satisfactorily solved it is essential that the $10,000,000 bond issue be authorized by the necessary two-thirds vote at the October 7th election.

Charter Amendments

As a result of the deliberations of the Supervisors' Judiciary Committee and the Board of Supervisors, twenty-four proposals will appear on the November ballot to amend the Charter of the City and County. With eighteen State measures to appear on the same ballot and with the referendum ordinance proposed by the Mayor on cemetery removal, the voters of San Francisco will have forty-three proposals to dispose of, as compared to fifty-three in 1922 and forty-eight in 1920.

Twenty-one measures were favorably recommended to the Supervisors by the Judiciary Committee. Another was submitted too late to the Committee for its action and was later ordered submitted by the Supervisors. The remaining two were proposed after Supervisorial action on the first twenty-one and were ordered submitted to the voters by the Board as a whole.

MAJOR AMENDMENTS

Twelve of the twenty-four amendments may be classified as "major amendments" from the standpoint of their effect on municipal policies, procedure or costs, if they are voted by the people. The remaining twelve may be classified as "minor amendments" on the same basis. Those considered as "major" are outlined in the following.

No. 19—Bond Elections. Proposed by Supervisor McLaren, to authorize the holding of a bond election at the same time as any other election. Designed to eliminate the cost of special bond elections and get a larger vote on bond issue propositions.

No. 20—20% Debt Limit. Ordered by the Board of Supervisors, to increase the debt limit from the present 15 per cent of assessed valuation to 20 per cent. Recommended by the Public Utilities Committee to pave the way for the expected 1925 proposal to vote bonds for power distribution.

No. 21—Municipal Railway Employees. Proposed by the Labor

Council, to establish basic hours for Municipal Railway platform men as eight hours of labor in ten consecutive hours, and six days work in seven, and to require over-time pay at the rate of time and one-half. Will force an increase in Railway operating expenses, the amount of which is not yet known (study now in progress).

No. 24—Civil Service Trial for Railway Employees. Proposed by the Labor Council, to require that Municipal Railway employees before dismissal shall have right of trial before Civil Service Commission. At present disciplinary power is vested in the Superintendent of the Railway, subject to review by the Board of Public Works.

No. 27—Salary Standardization. Proposed by Supervisor Rossi in cooperation with the Bureau, and revised in consultation with employees' organizations and the Labor Council. Designed to abolish the present unscientific, inequitable and political fixing of salaries and wages, and to substitute therefor scientific and equitable procedure based on the classification of duties and the proposal of standards of compensation on the basis of "like pay for like work."

No. 32—Special Assessments. Proposed by Supervisor Harrelson in cooperation with the Bureau and the City Engineer's office. Designed to authorize the issuance of bonds by two-thirds vote of the people so that the city's credit may be used for the financing of improvements to be paid by special assessment. It is estimated that the improved financial procedure will save from 12½ to 25 per cent of the cost of work to property owners subject to assessment.

No. 33—Itemized Budget. Proposed by Labor Council. Designed to require the itemization of appropriations for personal service in the Departments of Health and Public Works, and the further requirement that if such appropriations are not fully used for personal services each month, any balance will revert to a special fund to be re-appropriated for personal service.

No. 34—Salaries of Elective Officers. Proposed by some of the city and county elective officers. Designed to authorize the Supervisors to fix the salaries of District Attorney, City Attorney, Auditor, County Clerk, Tax Collector, Coroner and Recorder at not to exceed $8,000 per year.

No. 37—Teachers' Pensions. Proposed by the Mayor. Authorizes the Supervisors to establish a retirement system for teachers, in addition to any State teachers' pension or retirement system.

No. 39—Fire Department Organization and Pensions. Proposed by David Scannell Club. Designed to change the present Charter provisions which prescribe maximum personnel of companies, to minimum specifications. Designed also to extend firemen's pensions for retirement or physical disability, to widow, or to a child or children until the youngest shall reach the age of sixteen.

No. 40—Firemen's Pay Increase. Proposed by the David Scannell Club to increase the pay of all ranks up to and including captain, $360.00 per year. Estimated that this will amount to an increase of $333,000 (about 5c on the tax rate) in the pay roll on the basis of the present force.

No. 41—Policemen's Pay Increase. Ordered by Supervisors as a companion measure to the proposed firemen's increase. Designed to increase the pay of all ranks from $300 to $360 per year, involving additional payroll cost of $383,000, or about 5½c on the tax rate.

MINOR AMENDMENTS

The twelve amendments classified as "minor amendments" are outlined in the following:

No. 22—Fire Chiefs' Increase. Proposed by Down Town Association, to increase compensation of Chief Engineer, two Assistant Chiefs, and eighteen battalion chiefs of the Fire Department. Additional cost, $22,600.

No. 23—Lease of Sub-Park Areas. Proposed by Down Town Association, to authorize Park Commission to lease by competitive bidding and subject to approval by Mayor and Supervisors the areas under public parks for auto parking stations, if such use will not conflict with the use of parks for park-pleasure purposes.

No. 25—Police Judges' Salary Increase. Proposed by San Francisco Lawyers Club, to increase compensation of police judges from $3,600 to $6,000 per year. Additional cost $9,600.

No. 26—General Powers to Supervisors. Proposed by City Attorney, to empower Supervisors to make and enforce all laws relating to municipal affairs, subject only to Charter restrictions. Stated as necessary to avoid general law interference in municipal activities.

No. 28—Spreckels Palace of Legion of Honor. Acceptance of the gift of the Palace of Legion of Honor in Lincoln Park, creating a board to administer this and specifying administrative conditions and procedure.

No. 29—de Young Museum. Acceptance of gift of the de Young Memorial Museum in Golden Gate Park, creating a board to administer this and specifying conditions of administration and procedure.

No. 30—Salary Increase for Auditor's Attorney. Designed to increase the compensation for the Auditor's attorney from $1,800 to $3,000 per year.

No. 31—Salary Increase for Sheriff's Attorney. Designed to increase the compensation for the Sheriff's attorney from $1,800 to $3,000 per year.

No. 35—Mayor's Salary. Proposed by Supervisor Rossi, to increase the Mayor's salary from $6,000 to $12,000 per year.

No. 36—Two Sheriff's Employees Under Civil Service. Proposed by benefited employees, to blanket the Sheriff's cashier and bookkeeper un-

der civil service and to classify the positions as civil service in the future.

No. 38—Fire Pensions. Proposed by benefited employees to increase pension rate for those retired prior to 1900 from $75 to $85 per month. Stated as affecting only two pensioners.

No. 42—Special Tax for Playgrounds. Proposed by Playground Commission, designed to require special tax of not less than 5c nor more than 7c per year for playground land and maintenance. Current appropriation approximately 3½c on the tax rate.

AMENDMENTS NOT SUBMITTED

Among the important amendments referred to the Judiciary Committee and not reported upon by it to the Board was an amendment to create a public utilities commission. This was proposed by Supervisor McLaren, and withdrawn by him when objection was made that this was not the proper time for such an amendment. A budget amendment proposed by Supervisor Rossi and drafted by the Bureau, which would have reorganized the city's financial procedure, controlled expenditures and revenues and provided for the taking of cash discounts, was not introduced until near the close of sessions; time did not permit of adequate consideration. An amendment to consolidate the Park and Playground Commissions proposed by Supervisor McLaren, was later withdrawn by him. An amendment to establish procedure for the recall of school directors, proposed by Supervisor McLaren, was also withdrawn by him. Another amendment was proposed by a group of citizens to recall the present Board of Education, change the terms from seven to four years, and to provide for an elective board. This was voted down by the Supervisors by vote of nine to six.

Other amendments not reported out by the Judiciary Committee were as follows: Proposed by Supervisor McSheehy, to create a budget commission headed by an elective budget commissioner; proposed by the general clerks, to extend the life of civil service eligible lists; proposed by Playground employees, to blanket employees of the Playground Department in under civil service; proposed by Supervisor Hayden, to blanket non-civil service incumbents in the Street Cleaning Department under civil service; proposed by Supervisor Roncovieri, to control revenues in excess of estimated revenues; proposed by general clerks, to permit transfers of employees between all departments.

The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

VOL. IV OCTOBER, 1924 NO. 10

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$1,469,000 to $2,012,000 Increase by Charter Amendment

Analysis of State Measures to Be Voted On

The Water and Power Amendment
(No. 16 on the Ballot)

Relative To Salary Amendments

Analysis of Charter Amendments on November Ballot

The Bureau ot Govermental Reseach has confined its analysis of Constitutional and Charter Amendments on the November ballot to those considered by it as governmental measures. On Constitutional Amendments it has made recommendations only on those considered as affecting San Francisco.

Issued by
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Bureau of Governmental Research
58 Sutter Street San Francisco, California

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*Non-governmental measures and measures having no local effect are not acted on by the Bureau.

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$1,469,000 to $2,012,000 Increase by Charter Amendment

The effect of most of the Charter amendments, if adopted, will be to increase municipal expenditures. The total additional cost, if all should be adopted, is difficult to estimate with accuracy. Estimates compiled by the Bureau, and discussed in the following, indicate that this additional cost, if all amendments are voted by the people, will range from a minimum of $1,469,036 to a possible maximum of $2,011,881, without consideration of a possible increase in Fire Department personnel, which cannot be estimated, under the provisions of Amendment No. 39.

Economy Measures: Only five of the amendments promise a reduction in municipal expenditures. Amendment No. 19, to consolidate bond issue elections with other elections, is intended to eliminate special bond elections; these come about every two years, and their cost ranges from $35,000 to $55,000 per election. Amendment No. 23, providing for the lease of sub-park areas, may be a revenue-producing measure, dependent upon the actual leasing of such areas, and the consideration included in any such lease for the use of the property. Amendment No. 27, providing for salary standardization, may prove to be an economy measure in the future, under the provision that if salaries now being paid to incumbents prove to be higher in any case than salaries specified for such services in the classification and schedules to be formulated, new entrants into the service will come in at the lower rates. Amendment No. 32, providing for the use of the city's credit (if the people vote bonds therefor) to establish a revolv-

ing fund for financing special assessment work, will save considerable sums to individual property owners to be assessed, although it will neither reduce nor add to municipal expenditures. AMENDMENT No. 33, may prove to be an economy measure, if it operates to restrict the increasing of compensations after the budget is adopted.

MEASURES NOT AFFECTING COSTS: Of the remaining nineteen amendments, two are procedural and one extends the civil service; these will not, in themselves, affect city costs or revenues. These are AMENDMENT No. 24, providing for Civil Service trials for Municipal Railway employees; AMENDMENT No. 26, giving a general grant of powers to the Board of Supervisors; and AMENDMENT No. 36, bringing two Sheriff's employees under Civil Service.

MEASURES REQUIRING ADDITIONAL EXPENDITURES: The remaining sixteen of the twenty-four charter amendments on the ballot, will, with one exception, result in increased appropriations. AMENDMENT No. 20, to increase the bonded debt limitation from 15% of assessed valuations to 20%, will not in itself bring about increased appropriations, but, if carried, will pave the way for an increase in bonded debt with consequent increased debt charges in future years.

The remaining fifteen amendments, with estimates of the probable increased cost that they will entail, are listed below. These are discussed in detail elsewhere in this pamphlet; the data listed here are summarized from the detailed analyses. Amounts marked ** represent maximum; in most cases they are inclusive of minimum estimates listed just preceding them, and therefore are not included in "minimum" total. The differences between such maxima and minima is added to arrive at "possible maximum" total:

	ESTIMATE
AMENDMENT No. 21: (A)—8 hours within 10 consecutive hours as "basic" day for Municipal Railway operation; estimated minimum cost for overtime	$20,900
(B)—Estimated cost, if re-scheduling is required under 8 hours on "basic" day	200,513
(C)—Estimated cost, including (B) if car operation is increased beyond traffic needs on "tripper" runs	(478,312)**
AMENDMENT No. 22: Increased salaries, Fire Chief, Assistant Chiefs, Battalion Chiefs, and Chief's Operators	27,040
AMENDMENT No. 25: Salary increases, Police Judges	9,600
AMENDMENT No. 28: Spreckels Memorial; rough estimate of probable maintenance and operation cost	40,000
AMENDMENT No. 29: De Young Museum; last year's maintenance $28,000; required by amendment, $40,000	12,000
AMENDMENT No. 30: Salary increase, Auditor's Attorney	1,200
AMENDMENT No. 31: Salary Increase, Sheriff's Attorney	1,200

AMENDMENT No. 34: Supervisors to fix salaries of elective officials at not more than $8,000 per year; at present, two at $5,000, six at $4,000	(30,000)**
AMENDMENT No. 35: Salary increase, Mayor	6,000
AMENDMENT No. 37: Teachers' pension system:	
(A)—Estimated city contribution for *future* service	156,371
(B)—Estimated *initial* city payments for *prior* service —on cash basis	44,800
(C)—Estimated annual payments for *prior* service, if on reserve basis—includes (B)	(108,834)**
AMENDMENT No. 38: Increase in volunteer firemen's pensions, $75.00 to $85.00 per month	240
AMENDMENT No. 39: Fire Dept. reorg. and pensions:	
(A)—Additional force that may be ordered	no estimate
(B)—Additional for such force to cover increased rates as per Amendment No. 40	no estimate
(C)—Extension of pensions will increase city's liability for *service* and *disability* pensions by 40%; current appropriation on non-reserve basis, for these, $240,000; estimated increase 25% as minimum	60,000
40% as maximum	(96,000)**
(D)—Additional to such increased pension cost if rates are changed by adoption of Amendment No. 40	10,020
	(16,032)**
AMENDMENT No. 40: (A)—Fire Department increased salaries exclusive of increases in Amendment No. 22	331,006
(B)—Automatic increase in pension rates	54,120
AMENDMENT No. 41: (A)—Salary increases Police Department	383,664
(B)—Automatic increase in pension rates	28,362
AMENDMENT No. 42: Special tax for Playgrounds:	
(A)—5c minimum	82,000
(B)—7c maximum; includes (A)	(218,000)**
TOTAL OF "MINIMUM" AMOUNTS LISTED	1,469,036
DIFFERENCE BETWEEN ABOVE AND "MAXIMUM" AMOUNTS LISTED	542,845
POSSIBLE ANNUAL COST TO CITY	$2,011,881

In addition to these estimates there is the possibility of Amendment No. 39 increasing the force in the Fire Department. This, as stated, changes the present specification of strength of the various companies from maxima, as at present, to minima, and revises the numerical strength of certain of

the ranks. The application of the minimum strengths specified in the amendment, to the existing organization of "active companies," would result in a slight reduction in force, although no reduction is contemplated. The application of the amendment to the existing number of "paper companies" would require a maximum addition of 398 men—$837,877 at present salary rates, $969,878 at the increased salary rates, as per Amendment No. 40. It is not considered herein that such increased force and additional expenditure will result if Amendment No. 39 is adopted; its effect, however, is conjectural, depending on how it is interpreted and on whether the Fire Department's establishment of companies would have a mandatory effect upon Supervisorial appropriations.

Omitting an estimate for this item the foregoing tabulation shows an increased cost for local government of from $1,469,036 to a possible $2,011,881 should all the amendments be adopted. This would be equivalent to a tax rate for the smaller sum of nearly 22c and, for the larger sum, of over 29c.

We might do well, by Charter, to require that proponents of measures, or some official agency of the city, prepare and furnish, at the time proposed legislation is being considered, a carefully-compiled estimate of its probable effect, financial and otherwise. Such a measure would, at least, bring to the legislative body full information as to the effect of legislation pending before it. It might tend to reduce the number of propositions requiring heavy expenditures that are referred to the people for their vote.

Analysis of State Measures to Be Voted On

Constitutional Amendment No. 1: Tax on Highway Transit Companies

This is an initiative measure, fostered by the commercial bus owners, fixing an "operative property" tax of four per cent on gross revenues of companies owning or operating buses and other commercial vehicles as common carriers on public highways, not exclusively within the limits of incorporated cities. It specifies "such taxes shall be in lieu of all other taxes and licenses, state, county and municipal upon the property above enumerated of such companies * * *" To change the rate a two-thirds vote of both houses would be required, as in the case of changes in the rates of taxation on utility companies, railroads and other properties reserved for State taxation. The amendment is opposed by the State Highway Commission on the ground that it will relieve motor buses from all local taxation, and probably also from the two cent gasoline tax; the Motor Carriers Association disagrees with the latter conclusion. Regardless of the merits or demerits of the proposed change from local to State taxation, the motor buses should be subject to the gasoline tax. In the lack of certainty as to whether it would apply, under the terms of the amendment, it is recommended that this be DISAPPROVED.

Constitutional Amendment No. 2: Salaries and Expenses of the Legislature

This amendment would, (1) increase the salary of State legislators from the present $1,000 for each regular session, plus $10 a day for each special session, to $100 a month, or $2,400 for the two-year term; (2) decrease members' mileage allowance from 10c to 5c a mile; (3) eliminate members' allowance of $25 for contingent expenses; (4) decrease allowance for attaches at regular sessions from $500 to $300 a day for each house; (5) decrease allowance for attaches at special sessions from $200 a day for each house to $200 a day for both houses; and (6) require legislature "so far as advisable" to provide for Civil Service selection of officers and employees.

It is urged by proponents that public service is now rendered by legislators at a financial sacrifice, that in addition to loss of time from private affairs, the cost of campaigns must be borne, and that this condition subjects legislators to offers, tips and compromising efforts from those interested in legislation. It is stated, on the other hand, that the amendment will increase state costs by $117,000 for each two-year legislative term, that the increased compensation will not raise the caliber of aspirants to these offices, and that the amendment does not solve the problem of a properly-organized Legislature. Being exclusively a state matter, this is NOT ACTED ON BY THE BUREAU.

Constitutional Amendment No. 3: Deposit of Public Moneys

This amendment extends to *all* political subdivisions of the State, the existing Constitutional provisions governing the deposit, in banks within the State, of State, county or municipal funds. It is urged as necessary, to empower irrigation districts, etc., to deposit and receive interest on idle funds, instead of keeping these as cash in their treasuries. Having no local effect, this is NOT ACTED ON BY THE BUREAU.

Constitutional Amendment No. 4: Extending Jurisdiction of Justices' Courts

This amendment extends the jurisdiction of Justices' Courts in cases of forcible entry and detainer, from a $25 monthly rental value, as at present, to $75, and for damages in such cases, from $200 to $300. It is claimed that such extension of Justices' Court jurisdiction would decrease congestion and delay in the Superior Courts in some counties, by transferring some of their business to the Justices' Courts. It should lighten the expense to litigants who, in taking these cases to the Superior Court, require the services of an attorney; in the Justices' Courts, one may defend his own case. It will also adjust the jurisdiction of the Justices' Courts to the rise in values and rents which have taken place since 1879, when the existing jurisdiction was fixed. In the opinion of the Bureau, this should be APPROVED.

Constitutional Amendment No. 5: To Authorize Transfer of Funds

This amendment authorizes *and directs* the treasurer of any city, county, or city and county to make such temporary transfers from funds in his custody as may be necessary to meet obligations incurred for maintenance purposes by the county or governmental units within the county, such loans not to exceed eighty-five per cent of the tax accruing to the political subdivision, and to be repaid from taxes before any other obligation is met therefrom. The purpose is to make practical use of idle funds during what is known as the "dry period"—the four months from the start of the fiscal year until tax revenues are collectible.

A County Treasurer, as a custodian of funds, is not in most cases, in position to know what obligations have been contracted by the various expending bodies in the county against the balances in his custody and the revenues that are to accrue. He would, therefore, in most counties, be unable to intelligently perform the duty imposed on him by the amendment.

The amendment may effect the legality of the Veterans' Validating Act, which was voted by the people at the 1922 election. The proposed amendment adds certain provisions to Section 31, of Article IV of the Constitution, the same section amended in 1922 by the addition of two paragraphs, (the Veterans' Validating Act) the adoption of which was necessary to

legalize the 1922 $10,000,000 Veterans Welfare bond issue. The proposed amendment in amending Section 31, omits the amendment of 1922. It is stated that by such omission the legality of the $10,000,000 Veterans' Bond issue is threatened, and that bonds of such issue that are as yet unsold may be made unmarketable, should the proposed amendment carry. As a state measure with no local effect, this is NOT ACTED ON BY THE BUREAU.

Constitutional Amendment No. 6: Unsecured Personal Property Taxes

This amendment provides that taxes levied on *personal property,* not secured by real estate, shall be based upon the tax rate levied for the preceding tax year. Under existing law, the Assessor collects taxes for unsecured personal property in March or April when the property owner files his statement of property owned. Such collections are necessarily based on the tax rate of the preceding year, as the current year's rate is not fixed until August or September. When the current tax rate is later fixed, if it is higher than the preceding year's rate the Tax Collector must prepare supplementary tax bills and attempt to collect the additional taxes; if the rate is lower, he must attempt to refund the excess to taxpayers. As the change in rate is usually small, and as the average assessed valuation of unsecured personal property is usually low, such supplementary taxes are largely uncollectible. It is stated that, for a large percentage, the cost of billing and collecting may exceed the amount to be collected. The system is conducive of irritation to taxpayers who do not understand the reason for the supplemental bill; it is attended by a large number of delinquent accounts, endless explanations and friction. The proposed amendment to correct this situation is essentially businesslike and sensible, although its constitutionality has been questioned in some quarters. It is recommended that this be APPROVED.

Constitutional Amendment No. 7: State Regulation of Boxing Contests

An initiative measure to permit twelve-round boxing bouts, creating an athletic commission to license these, etc. The Bureau, while not passing on the subject of twelve-round boxing bouts, believes that boxing regulation through a commission created by the amendment is not properly a state governmental function. Recommend that this be DISAPPROVED.

Constitutional Amendment No. 8: Additional Employees in City and County Offices

This amendment provides that the legislature by general laws may allow additional deputies or assistants to any city or county officer during his term, and that the compensation of deputies or assistants may be increased by the legislature during the term of such officer. This affects such cities and counties as are governed by general laws. The section amended prohibits increase of compensation to an elective or appointed officer during his term;

under this the courts have held that the legislature cannot increase the *force* of such officer during his term; usually four years. The amendment is designed to permit the authorization, by the legislature, of additional employees as needed in such offices due to growth of the community, additional duties, etc. Having no local effect, this is NOT ACTED ON BY THE BUREAU.

Constitutional Amendment No. 9: Special Taxation of "Foreign" Securities

This amendment empowers the legislature to provide for special taxation, (in lieu of all other property taxes, and at rates not to exceed those imposed on other property in the State) of non-exempt stocks, bonds, and other securities based on property outside the State, the revenue derived therefrom to be distributed to the local taxing jurisdictions. The amendment contemplates a fixed lower rate of taxation that will be more equitable in proportion to the income derived from such holdings. Under existing law, bonds or stocks owned by a San Francisco taxpayer, if declared to the Assessor, are subject to a $3.47 tax; if the taxpayer is located elsewhere in the State, the city and county rate will be higher. As this would make heavy inroads on, or perhaps take all the income derived from the securities, they are usually not "declared" to the Assessor. The proposed change would permit of a more equitable rate on these holdings, which is expected to result in the declaration of and tax revenue from increasingly larger amounts of such holdings. Similar procedure has had a measure of success in New York and Connecticut. It is recommended that this be APPROVED.

Constitutional Amendment No. 10: State Taxation

This amendment (1) exempts from State taxation, county co-operative fire insurance companies which can only issue non-profit policies for small amounts within limited areas to their own memberships; (2) separates "street railways" from "railroad companies" for taxation purposes; (3) writes into the Constitution the 1921 King Bill tax rates; and (4) provides that the State shall reimburse all counties for loss in county revenue occasioned by the reservation, exclusively for State taxation, of "operative" property within the various counties. The Constitution in its present form provides for reimbursement of counties only up to 1918, and only for revenues lost by the withdrawal of *railroad* property. The specification in the Constitution of the King Bill rates, enacted by two-thirds vote of the 1921 Legislature, was voted down in 1922, by almost two to one. Being a State measure, this is NOT ACTED ON BY THE BUREAU.

Constitutional Amendment No. 11: Klamath River Power

This is an initiative measure, sponsored by the Fish and Game Commission, to create a Klamath River Fish and Game District, and to prohibit the construction or maintenance of dams or other obstructions therein. It is designed to prevent pending water-power developments on the Klamath

River, for the use of proposed electro-metallurgical industries. It is claimed by the Fish and Game Commission that the proposed development would interfere with the fish migration and fish culture in the river. It is claimed on the other hand, by the Eureka Chamber of Commerce, and by those interested in the project, that the permit granted by the Federal Power Commission is contingent upon the preservation of the fish, and that the development will in no wise interfere therewith. As this is not a local matter, it is NOT ACTED ON BY THE BUREAU.

Constitutional Amendment No. 12: Authorizing Establishment of Municipal Courts

This amendment authorizes the creation by the Legislature of municipal courts as courts of record with civil jurisdiction up to $1000, (appellate jurisdiction in Superior Courts) and their subsequent establishment in cities or cities and counties of over 40,000 population, by charter amendment or vote of the people in any such city; the manner and time of electing or appointing judges and attaches, the number and qualifications thereof and the compensation of judges are to be fixed by the Legislature; no judge of a court of record may practice law in any court of the State during his continuance in office. The amendment would provide, after the adoption of the necessary statute, for the consolidation of Police and Justices' Courts, and the extension of their powers. It would provide for the relief of congestion in Superior Courts in the larger counties of the State. It may permit legislative dictation in municipal home-rule matters, relative to number and selection of judge and attaches.

The creation of Municipal Courts—which is now authorized under a new Charter, but not as an *amendment* to an existing charter—and the extension of their powers beyond the present jurisdiction of Police and Justices' Courts is in line with the movement to improve judicial processes in American cities. The amendment is particularly designed to expedite the judicial business in Los Angeles. It would probably also be beneficial to San Francisco. Recommended that this amendment be APPROVED.

Constitutional Amendment No. 13: Providing for Poll Taxes

This amendment requires the Legislature to provide for the levy and collection of an annual poll tax, to be paid to the State school fund, of at least $5.00 on each male inhabitant over twenty-one and under fifty, except honorably discharged ex-service men, persons paying annual property taxes of at least $5.00, and paupers, idiots, and insane persons.

The people in 1914 voted to abolish the poll tax. This action was taken for several reasons, the principal ones being that it was a "nuisance" tax, was not based on ability to pay, and was costly and difficult to collect. No greater justification for a poll tax exists than when it was voted down in 1914. It is practically impossible to collect with equity. The procedure of requiring an employer to collect the tax from his employees breeds sus-

picion and distrust on the part of those collected from; the only alternative, collection by paid collectors, would be very costly. The costs of collection when the tax was in force were disproportionately high in comparison with the amount collected.

The amendment is probably intended to enact in legal form the alien poll tax voted by the people in 1920, but subsequently declared unconstitutional by the courts. It is urged as necessary to reach, by taxation, over 350,000 aliens in the State, on the theory that they are tax-free. It would, if enforceable, probably effect a larger number of citizens. Such persons, however, are not tax free, even though they may pay no direct taxes. Every person who consumes food, pays rent, uses the street cars, etc., is subject to taxation, and pays part of the tax bill. Recommended that this be DISAPPROVED.

Constitutional Amendment No. 14: Tax Exemption, Utility-District Bonds

This amendment extends to bonds of public utility districts, the exemption from taxation now provided for bonds of cities, counties, municipal corporations, and schools, reclamation, and irrigation districts. It is argued that the bonds of public utility districts should be subject to the same exemption that is now effective for bonds of cities, counties, irrigation districts, etc. If the main purpose is to secure equity and uniformity among exemptions this amendment will provide it. It is urged on the other hand, that tax-exemption is economically unsound, and has the effect of passing taxation on to other units and activities and of diverting capital from productive enterprise to tax-exempt investments. Attention has been directed, in Eastern centers, to the formation of districts, with separate debt limitations, as an expedient to avoid municipal or county legal debt limitations. Having no local effect, this is NOT ACTED ON BY THE BUREAU.

Constitutional Amendment No. 15: Tax Exemption, Aviation Fields

This amendment exempts from taxation, property (not exceeding $50,000 value in any one county) used exclusively for aviation purposes under Federal control. Property *owned* by the Federal government cannot be taxed. For property *rented* to the Federal government, the rental charge would include tax-cost. The amendment would set up a specifically favored class of property owners for no apparent reason. Recommended that this be DISAPPROVED.

Constitutional Amendment No. 16: Water and Power, $500,000,000 Bond Issue, etc.

This amendment provides for practically unrestricted action of a five-man commission in water and power development, and carries a $500,000,000 blanket appropriation for unspecified projects. Neither civil service nor

municipal home-rule powers are safeguarded. Local financing and administration of local projects or system is dispensed with. This amendment is almost identical with the "Water and Power Act," voted down in 1922. It is discussed in detail in an accompanying separate article. Recommended that this amendment be DISAPPROVED.

Constitutional Amendment No. 17: Railroad Commission Valuations for Utility Districts

This amendment extends the present power of the Railroad Commission to fix compensation to be paid in taking property of a utility for public use. Present powers, which now apply to eminent domain proceedings initiated by the State, or any county, city, town or municipal water district, would be extended to include irrigation districts or other public corporations or districts. This is intended to insure scientific valuation for properties to be taken over by these other districts, and, specifically, to apply to valuations desired by the East Bay Utilities District. Having no local effect, this is NOT ACTED ON BY THE BUREAU.

Constitutional Amendment No. 18: Extension of Right to Vote

This amendment provides that any registered voter who moves from his precinct to another precinct in the same county within thirty days of an election, shall, until after such election, be deemed a qualified voter in the precinct from which he has removed. This would give voting rights to many of those, who, under the present law, become disqualified by change of residence just prior to an election. By restricting voting powers to the precinct in which a voter has lived and registered, the measure is adequately safeguarded to prevent "colonization" for the particular purpose of swelling the vote. It will aid in getting out a higher percentage of the vote. Recommended that this be APPROVED.

The Water and Power Amendment

The water and power measure of 1922 is again on the ballot this year as Constitutional Amendment No. 16. At the election of 1922 it was defeated by a vote of 243,604 for the measure and 597,453 against the measure. It is resubmitted in almost the identical form this year as in 1922.

Provisions of the Measure

The measure seeks to add a new section to the constitution to be known as Article XIVa. It creates a board of five to be appointed by the Governor for four-year term, the chairman to be the executive officer on a full-time basis at $15,000 a year, the members to serve at a per diem of $20 a day when engaged together with necessary expenses. Members are removable by the Legislature by two-thirds vote and the Legislature must make provisions for recall by the people.

The Board is empowered to acquire water rights land, electric energy and other property necessary or convenient for the purposes of the article; to construct works and do all things necessary for water and power development and distribution; to purchase or manufacture necessary materials and supplies; to supply water and power to political subdivisions or other users and to fix and collect the price thereof; to use State waters and lands or materials thereon; *to require the reservation of water from appropriation;* to apply for and accept under laws of the United States or any State, permits or privileges required for the purposes of the article; to cooperate with political subdivisions of the State and with the United States or other States for water and power conservation, development, construction, and distribution; to acquire or construct for political subdivisions distributing systems for water or power *purchased from the State,* the cost thereof to be repaid in twenty-five years; to exercise powers of eminent domain to acquire or to use or jointly use property when deemed necessary.

An ex-officio Water and Power Finance Committee is created of the Governor, Controller, Treasurer, chairman of the Board of Control, and chairman of the Water and Power Board. *A* $500,000,000 *bonded indebtedness is authorized,* to be issued as fifty-year serial bonds, interest not to exceed 6 per cent, for the acquisition, construction, development, *operation,* and *maintenance* of projects deemed necessary by the Board. Bonds are to be issued and sold by the Finance Committee on written request of the Board, such request to be accompanied by statement of the project with estimated cost and certificate of investigation by the Board. Five million dollars of bonds shall be sold immediately to create a revolving fund. *If revenues prove to be insufficient to pay bond interest and redemption, with the consent of the Governor, bonds may be sold to pay such interest and redemption.*

The Board is empowered to fix rates for services rendered from each project, sufficient to cover operation, maintenance, depreciation, interest

and redemption of debt within fifty years or, in case of a local distributing system, in twenty-five years. *If revenues prove to be insufficient to pay bond interest and redemption, money shall be advanced from the General Fund therefor* (the measure appropriates such funds from the General Fund as may be needed) to be repaid to the General Fund with interest at 6 per cent when revenues become available.

State and political subdivisions are given a preferred right to water and electrical energy developed by the Board. The Board shall not supply water to a privately-owned utility for producing electrical energy and shall not sell to privately-owned utilities more than 20 per cent of the water and power under its control, nor contract for such sales for longer periods than five years. Plans for water or power development by political subdivisions of the State shall be submitted to the Board. *The Board may acquire and develop any such projects unless the political subdivision adopts plans and estimates and provides for the financing thereof within two years after notification by the Board of its readiness to proceed with the development.*

In taking private property under eminent domain proceedings, determination of the Board as to necessity shall be conclusive evidence thereof and the Board may take possession by paying into Court such amount as the court may determine as security. *The fixing of valuations by jury may be demanded and secured by either party* and in such case any evaluation proceedings by the Railroad Commission that have been started shall be dismissed. All public officers and agencies are required to make available to the Board any data and information in their possession required by the Board.

Analysis of the Amendment

In considering the water and power article, the Bureau of Governmental Research does not pass on the question of policy involved in public ownership of utilities. Consideration is confined to the proposed act as a governmental and economic measure, and, in the opinion of the Bureau based on such consideration the measure should be disapproved.

The amendment is urged as a water conservation measure and is stated as necessary to end "monopolistic" control of the State's water and power resources. It is urged that the State can engage in the power business and distribute power at rates lower than those obtaining under the present system of private operation under State regulation. The principal claim for such saving is the lower cost of money to the State than can be secured by private companies. The cost of money to the State, due to the tax exempt feature of State bonds, will probably not exceed 1½ to 2 per cent lower than the average cost of money to private corporations.

It is considered highly problematical by investment bankers that "water and power" bonds would take the same low rate as general bonds of the State. However, if it be assumed that water

and power bonds would take a rate 2 per cent lower than the average for bonds and stocks of private utility companies, this would not be reflected in rates for decades to come. Any such saving would be offset for fifty years to come, by the charges in rates, for the redemption of bonds. This would amount to 2 per cent for fifty years for the plant, and 4 per cent for twenty-five years for distributing systems.

The exemption from taxation of the utility properties acquired by the State which is not referred to by proponents of the measure, WOULD represent a "paper" saving, which would have to be made up from taxable property, or from rates paid by all users of privately-owned railroads, utilities, and other State taxpayers.

Propaganda in favor of the measure when it was before the voters in 1922 was based largely on municipal-ownership in Los Angeles, Palo Alto, Redding and other cities. If it be assumed that these ventures have been financially successful, as has been contended on the one hand and disputed on the other, it must be borne in mind that they are strictly municipal ownership projects, authorized in each case by the people of a single community on the basis of a definite and specific project, and subject to relatively close contact of the citizens of each community. There is not, in any of these cities, any such blanket authorization for any and every project that might be evolved, such as is proposed by the Water and Power amendment.

The plan of operation of the Ontario (Canada) Hydro Commission has been cited as the model for the proposed measure. The Ontario plan, however is fundamentally different from the plan laid down here. It is provided by legislative enactment which has been found necessary to be amended from year to year. The commission cannot undertake construction, borrow money or issue bonds, without authority of the Provincial Government obtained by order-in-council. Each local distributing plant and system is financed by bonds of the municipality served; approximately 25 per cent of the total Ontario expenditure has been so financed. A vote of the people in each municipality is required to authorize its municipal council to contract with the Commission for power, and to sell bonds of the municipality to cover the cost of the local plant. The Hydro Commission produces and delivers power for retail distribution by the municipalities.

In the opinion of the Bureau, the water resources of the State should be subject to a large measure of State regulation and control so that they may be developed to their maximum beneficial use and to the end that where there are conflictions between requirement for irrigation, domestic use or power, these may be harmonized. This function of State regulation or control can best be exercised by expanding the powers of the existing Division of Water Rights or the existing Railroad Commission.

Such agency should also be given the necessary power to serve as the co-ordinating element for a number of political subdivisions to facilitate joint action in their common interest, under proper home-rule powers, for the development of water, power, irrigation or flood control projects. If *necessary and desirable,* provision could be made for State aid or credit to assist political subdivisions, subject, however, to ratification by the Legislature and by the local government for each specific project on the basis of costs, necessity and probable revenue.

Objections to the Proposed Amendment

The Bureau of Governmental Research believes that the proposed water and power amendment goes dangerously far beyond the possible necessity for State action outlined above, that it is not a desirable amendment to the Constitution in other respects and for these reasons should be defeated. The Bureau as stated in the foregoing does not pass on the question of policy involved in public ownership of utilities, the conflicting claims of savings or loss as between private and public operation, the relative degree of efficiency of private as opposed to public management, the political phases of any large public-managed business enterprise, the possibility of political rather than business management, and other similar phases. The several bases for the Bureau's objection are enumerated in the following:

(1) Difficulty of Amending: The measure is a constitutional amendment. Imperfections that develop can be changed only by vote of the people. It has been stated that the Ontario Act which is claimed as a model for the proposed water and power measure has been found necessary to be amended at almost every session of the Ontario Provincial Council since its enactment.

(2) No Restrictions on Duplication: There is no provision restricting the Board from a duplication of existing plants. It is not inconceivable that a strong Board, meeting with opposition from a privately-owned utility on a specific project, might use the tremendous funds placed at its disposal for the duplication of existing plants, which would mean an economic loss and expensive rate war, the cost of which the ultimate consumer would have to pay.

(3) CIVIL SERVICE NOT REQUIRED: All employees of the proposed Board would be subject only to such civil service regulations as the Board may provide. There is no provision requiring the Board to provide any, and nothing to prevent the active operation of the "spoils system" to govern appointments and compensations. Civil service, although not perfect, would be little more than a name, if each important department were equally free to adopt its own system of employment regulation.

(4) "BLANKET" FINANCING: The amendment authorizes $500,000,000 of bonds without any reference to specific projects.

Although the arguments for adoption are based on the claimed success of municipal ownership in various cities, such blanket provision for finances is unprecedented in the field of municipal ownership. It is as unbusinesslike as signing a blank check. The citizens of San Francisco, for instance, are committed to the principle of municipal ownership, by the terms of the Charter adopted by the people. In spite of this, the voters have three times in the last nine years rejected the purchase of the Spring Valley Water Company at what has been deemed a fair price by the City Engineer, the Railroad Commission, and other informed officials. Such blanket fiscal authority would take control entirely out of the hands of the people, which control, in all municipal ownership projects, is and has been exercised by them on the basis of individual projects, the need therefor, and the cost thereof.

(5) SEPARATE FUNDS NOT REQUIRED: The amendment makes no provisions for maintaining separate funds for the various projects. On the other hand, it provides that the Board, in certifying that expected revenues from a contemplated project will pay off the interest and other expenses, shall consider revenues from such project, and "available revenues from other projects." Revenues of the Board except proceeds from bond sales, are to be paid into the State Treasury, and to be applied to paying the expenses of the Board, costs of operation, maintenance, depreciation, insurance and losses, and then to the payment of interest and principal of bonds. Subject only to the Board's desires all revenues and expenditures can be pooled, and the financial success or failure of individual projects would be very difficult to ascertain.

(6) BOND FUNDS FOR CURRENT EXPENSES: The amendment provides that bonds may be sold and the proceeds expended, not only for the acquisition, construction, development and completion of projects but also for OPERATION AND MAINTENANCE. The present and recent financial troubles of many cities are chargeable to that same practice—floating bonds to cover current expenses.

(7) "PYRAMIDING" DEBT: The amendment also provides that when revenues from projects are insufficient to meet bond and interest charges, bonds may be sold to meet these. It has been stated that this is necessary to meet interest charges during construction, but no such restriction is set forth in the measure. This is contrary to the principles of sound financing and is comparable to the selling of stock, and using the proceeds to pay stock dividends.

(8) EX-OFFICIO FINANCE COMMITTEE: The authorization and sale

of bonds is subject only to the control of a majority of an ex-officio Finance Committee, to be composed of the Governor, Controller, Treasurer, Chairman of the Board of Control, and Chairman of the Water and Power Board. Proper responsibility cannot be secured through ex-officio boards by reason of the fact that the regular duties of members of such bodies usually demand their time and interest, and, in relation to regular duties, the ex-officio duties are usually considered as unessential.

(9) No Local Financing: The amendment provides for the use of State bonds only. These, if the projects do not pay, will be a charge on all of the privately-owned property in the State. It makes no provision whatsoever for the issuance of bonds for specific projects, by individual or joint communities for which such projects will be required. Practically every such project will be of local or district benefit. Many municipalities have already assumed heavy debt charges for their local utilities, but the taxpayers in these communities will be called upon to assume a portion of the burden of debt charges under the proposed amendment in cases where far-distant projects are not self-supporting.

(10) Hetch Hetchy: The amendment could not benefit San Francisco in the completion of the Hetch Hetchy system or for the distribution of Hetch Hetchy power, unless the City should transfer its title in at least a part of Hetch Hetchy to the State. Section 3-h of the amendment provides that the Board shall have power: "to acquire or construct for political subdivisions, distributing systems for the water or electrical energy *bought from the State* * * *" The question to be solved in the very near future is the disposal or distribution of power from the Hetch Hetchy Moccasin Creek plant. The amendment will not solve this, without relinquishment of title by San Francisco.

(11) Infringement on Home Rule: The amendment places no restrictions on the power of the Board to *acquire, construct and operate* utilities for or in any community, and to fix and collect rates sufficient to repay bond redemption, interest and operating charges. No vote of the people in the communities affected is required, such as is required in the Ontario law, and by municipal charters under which municipal ownership of utilities is in operation. Such power is in direct violation of the principle of municipal home-rule with which California cities have been favored. Under the amendment, the proposed Board could purchase a utility at a price it would consider fair, and establish rates based on such price. If the price should be considered as unacceptable by the people of the community served by the utility—as in the case of the price fixed by the Railroad Commission for the Spring Valley Water Company—the action would arouse local resentment that would take years to overcome. Any such power, if used, amounts to the imposition of government on the people, not a successful or desirable method of legislation.

(12) Scientific Valuation May Be Waived: The amendment

provides that in any case in eminent domain (condemnation proceedings) brought up by the Board, a jury trial may be demanded and secured "by any party thereto"—which includes the Board—and that, if an eminent domain proceeding has been brought before the Railroad Commission, it "shall be dismissed on the filing therein of a written demand by such party." By such provision, the appraisal and evaluation of a complicated plant or property can be removed from the hands of technical men, qualified therefor, and be presented to a jury for determination. The step can hardly be considered as progressive.

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The Bureau of Governmental Research believes, therefor, that the public interest will be best served by the defeat of the proposed amendment. Its proponents urge it on the basis of results claimed for municipal ownership in Los Angeles, Ontario and other communities. Be those as they may—and there is disagreement as to such results—the amendment, as a governmental measure fails or neglects to provide for sound financing, for financing on the basis of specific projects, and for proper community participation in financing, subject in every case to free expression of home-rule powers by vote of the people. The lack of these simple but necessary checks on the exercise of unrestricted power renders the amendment unacceptable as a governmental and economic measure. Recommended that it be DISAPPROVED.

Relative to Salary Amendments

Eight of the twenty-four charter amendments on the November ballot deal with salary increases. If all of these are voted, the city's expenditures will be increased, on the basis of the present force, by $872,192. This sum is equivalent to 12.6c on the current tax rate, 3.2% increase in the current year's budget, and an increased per capita expense for government of about $1.50.

The approval of these amendments, in addition to the increases directly involved, will probably have the effect of giving an upward impulse to the whole scale of compensations in the city service. Within two weeks of the launching of the fire and police salary amendments, the laborers petitioned the Supervisors for an increase in their per diem rate. Other groups have since requested increases, and others will probably follow or will register their wishes at the budget sessions next year.

The facts pertaining to each of the eight amendments, as far as these could be developed by the Bureau, are enumerated in the discussion of the several measures, together with the recommendations that such facts seem to warrant.

The Bureau's policy, as applied to municipal compensation matters, has had its application in five years of effort to secure the formal or informal application of salary standardization principles. The failure to develop and apply salary standardization principles, resulting in the lack of official administrative machinery for scientific analysis and comparison of positions, duties, responsibilities, living costs, other compensations within and without the city service, etc., means that the increases that are now before the people can be acted on, only on the basis of incomplete data. The manner in which the several amendments were originated, the large sums they involve, and the utter lack of information available to the voting group, as a basis for informal action illustrates more strikingly than ever before, the necessity for important changes in our procedure, and for the elimination of "Charter" salaries, except for elective officials and officials appointed by the Mayor.

The $872,000 of increases that will be passed on by the people on November 4th, will be voted for or against in accordance with personal sentiments or prejudices. This is not a sound method. It may result in the granting of increases where they are not merited, or the denying of them where they are deserved. The city is in great need of effective, equitable and scientific salary standardization procedure in the city service as the only sound solution of municipal compensation problems and as the only possible means of accumulating the information on which compensations and increases should be based. This is contemplated under Amendment No. 27 for a large part of the service; if adopted and satisfactorily applied it can logically be developed and extended to the whole service.

Analysis of Charter Amendments on November Ballot

Charter Amendment No. 19: To Eliminate Special Bond Elections

This amendment provides that a proposition for the incurring of bonded indebtedness may be submitted separately (which is required by law at present) or may be consolidated with any other election. The last school-bond election cost over $55,500, and brought out only 81,363 votes; the recent water-bond election brought out only 71,867 votes. The last municipal election cost $92,500, and brought out 128,037 votes. Consolidation with other elections would save most of the cost of special bond elections and produce a larger vote on bond issue propositions. Recommended that this be APPROVED.

Charter Amendment No. 20: Increasing the City's Debt Limit

This amendment increases the debt *limit* of the city from the present 15% of the assessed valuation, to 20%, an increase on the current assessment roll, of $34,200,000. This would permit of a gross debt of $136,800,000, plus $2,800,000 of Exposition bonds, now exempt, and plus also any Market Street Railway purchase bonds voted in the future.

The present 15% debt limitation authorizes a debt of approximately $102,600,000, plus these same exemptions. Bonds outstanding or authorized under this limitation (exclusive of $2,800,000 exempt Exposition bonds, and deducting redemption provided for in the current budget) amount to approximately $89,900,000. This leaves a leeway for new debt, *as officially calculated,* of about $12,700,000.

On the basis of legal opinions and court decisions, however, this "official leeway" is less than the actual leeway, by the amount of outstanding and unsold school bonds. Under the Political Code, school debt is authorized up to 5% of assessed valuation for elementary schools, and 5% for high schools. Although the legislative body of the city has not requested an opinion from the City Attorney on this matter, the opinions of many courts, the Attorney General, and other attorneys hold that a city or county charter cannot restrict the State law relative to school appropriations. On this basis the Charter 15% limit could not restrict the issuance of school bonds as authorized by State law. It naturally follows, then, that such bonds are *in addition to* bonds issued under the Charter debt limitation, and the Charter power to restrict.

School bonds, thus considered as "exempt," both outstanding and unsold, total $17,900,000, which, added to the $12,700,000 considered as the "official leeway" gives an actual existing leeway for new debt of $30,600,000. After July 1, 1925, this will be increased by about $7,000,000, by next year's redemption of debt

and estimated increase in the assessment roll, giving a total of approximately $38,000,000 for the next fiscal year—ample for the projects that are expected to come before the people for their vote.

As compared to the present San Francisco debt limit of 15% of assessed valuations, and the proposal to increase this to 20%, the limitations in other cities are of value. Some of the cities listed below have specific exemptions, others have none. New York has a limit of 10% of *realty* values and an outstanding debt of about 8%. Chicago has a limit and a debt of about 5%; concurrent jurisdictions have a debt of an additional 6%. Philadelphia has a 10% limit and a debt of about 7½%. Detroit has a limit of 15¼%, segregated into specific purposes, and a debt of less than half the legal limit. Cleveland has a limit of 5% with a debt of about 7½%. Boston has a limit of 2½% and a debt of about 5%. Milwaukee has a limit of 5%, and a debt of about 4½%. Los Angeles has a limit of 15% and a debt of about 8%.

The purpose of a debt limitation is to restrict the amount of outstanding debt so that the provision in future annual budgets of funds to meet debt charges will not become an intolerable burden. Caution should therefore be exercised in raising the limitation; obviously, this should be done only if it becomes necessary and unavoidable. From the economic standpoint the soundest exemption would be the bonded debt of projects that are actually self-sustaining from revenues. Next in order would be water bonds, with a concurrent reduction in the debt limit for other purposes, this to conform with the "New York 7% law" which practically controls the marketing of municipal bonds.

As stated, ample debt leeway, nearly $38,000,000, will be available for financing projects now in contemplation. If occasion arises when the present 15% debt limit must be changed, such change should not take the form proposed in Amendment No. 20. Recommended that this be DISAPPROVED.

Charter Amendment No. 21:
To Reorganize Municipal Railway Operation

This amendment, proposed by the Labor Council, provides that the *basic* hours of labor for Municipal Railway employees shall be eight hours to be completed within ten consecutive hours, with one day of rest in each seven days, all labor in excess of eight hours a day or six days a week, to be paid for as over-time at the rate of time and one-half.

If the amendment meant that working time in excess of eight hours, or in excess of ten consecutive hours, was to be paid for as over-time, this, in itself, would add about $20,900 to Railway operating expenses.

As construed by the Bureau, by railway operating officials and by the spokesman for the men, the amendment will prohibit assignments covering in excess of ten consecutive hours. It will require either (1) eight hours pay for any time under eight hours of work, or (2) the continued operation of cars, beyond the requirements of traffic, so that the men will be con-

tinuously employed and paid for eight hours, or (3) the curtailment of morning or evening peak-load service, for the purpose of eliminating short-time runs known as "trippers."

The first would require a re-arrangement of schedules, with inevitably a number of "trippers" of from one to six hours for which a full day's pay would result; this, according to Bureau estimates, would add about $200,500 per year to the operating cost of the system. The second, operating cars to keep the men busy for eight hours, regardless of traffic requirements, would probably add from $471,312 to $520,992 a year to the cost of operation, with only a fractional gain in operating revenues.

The third, eliminating needed cars during morning and evening rush hours, to suit the operators rather than the traffic, would avoid the extra expense but would seriously cripple the service. Furthermore, the overtime requirement would force the employment of extra men and thus reduce the working opportunities and the present average earnings of the platform men.

Statistics compiled for over 250 street and interurban railway companies show that only two, and these in very small cities, are limited to an 11-hour "spread" or period of hours within which a day's work must be completed; each has a nine-hour day within a "spread" of eleven hours. Only twenty-five per cent of the runs in the present San Francisco schedule range between ten and eleven hours; the newer employees are assigned to these and in time work up to the runs with shorter "spread."

Seattle, with a municipal system, has an eight-hour day, with a spread or range of fourteen hours. The Boston Elevated Railway Company, municipally controlled, also has an eight-hour day over a spread of fourteen hours. The Market Street Railway system in San Francisco has a ten-hour day with a range of twelve and one-half hours. Of street railways in large cities in the country none have working conditions comparable with those now existing on the San Francisco Municipal Railway system. Recommended that this amendment be DISAPPROVED.

Charter Amendment No. 22: Salary Increases, Fire Chiefs

This amendment, initiated by the Down Town Association, in its original form increased the compensation of the Chief Engineer only; at the request of the assistants and battalion chiefs it was amended to increase their compensations. The accompanying table shows the San Francisco salaries, present and proposed, in comparison with salaries paid for similar ranks in ten cities immediately larger and smaller than San Francisco, (data re Washington, No. 14, not available). The comparison shows that present San Francisco salaries are well above the average for these cities, and are exceeded only by those paid in Boston, Los Angeles and Newark. The proposed increases would make the San Francisco salaries the highest in the country, excepting only New York, and, for the Chief and first assistant chief, Chicago. Recommended that this be DISAPPROVED.

Comparative Fire Department Salaries—1924

San Francisco and Five Larger and Five Smaller Cities
(*Italics indicate rates higher than present San Francisco salaries*)

No.	City	Pop. (1923)	Chief	Asst. Chiefs		Batt. Chiefs
6.	St. Louis	803,853	$4,500	$2,964 to		$2,460
7.	Baltimore	773,580	4,500	3,500 "		2,500
8.	Boston	770,400	*5,500*	*4,000* "		*3,500*
9.	Los Angeles	666,853	*6,000*	*4,200* "	*3,600*	*3,300*
10.	Pittsburgh	613,442	5,000			3,000
11.	San Francisco—*proposed*	539,038	*7,200*	*4,800* "	*4,800*	*4,200*
	San Francisco—*present*	"	5,360	3,960 "	3,360	3,060
AVERAGE, excl. San Francisco			5,290	3,674 "	3,185	2,977
12.	Buffalo	536,718	*5,500*	3,486 "		2,772
13.	Milwaukee	484,595	*5,500*	3,420 "	2,940	.....
14.	Newark	438,699	*5,400*	*4,400* "		*3,400*
16.	Minneapolis	409,125	5,000	3,600 "	3,000	2,880
17.	Cincinnati	406,312	*6,000*	3,500 "	3,200	

Charter Amendment No. 23: Authorizing Lease of Sub-Park Areas

This amendment, proposed by the Down Town Association, authorizes the Park Commission to lease, for not to exceed fifty years, areas under parks or squares for auto parking or other public uses, provided that construction and operation shall not be detrimental to park-pleasure purposes, that all leases be made at auction to the highest responsible bidder and approved by two-thirds vote of the Park Commission, and ratified by the Board of Supervisors and the Mayor. This is permissive only, and is designed to meet traffic and street congestion conditions of the future, contemplating the use of Union Square. The City Engineer states that within fifteen or twenty years the sub-area of Union Square will probably be required by the city for a subway station or loop. Being a non-governmental measure, this is NOT ACTED ON BY THE BUREAU.

Charter Amendment No. 24: Civil Service Trials for Railway Employees

This amendment, proposed by the Labor Council, gives Municipal Railway employees the right of trial before the Civil Service Commission, before dismissal, as now provided for civil service employees in most of the city departments. Railway employees are now subject to suspension and dismissal by the Superintendent of the Railway, whose decisions are subject to review by the Board of Public Works. This is somewhat similar to the provisions applying in the Police and Fire Departments.

The provision of trial before the Civil Service Commission is one of the early developments of civil service that has proven defective. It has usually operated to place the department head on trial rather than the employee whom he sought to discipline, with the result that department heads in public service have frequently refrained from exercising proper disciplinary powers. Public employment is not a vested right. If injustices are practiced by any Superintendent, an employee may appeal to the Board of Public Works. The burden of control and discipline of Municipal Rail-

way employees, if bound up in Civil Service trials, may develop corresponding injustices in favor of offending employees and against the public interest.

Conditions surrounding the operation of a street railway system are different from those relating to the average city department. Discipline is essential in getting cars out at specified times, in maintaining schedules, and in the settlement of disputes, discourtesies and infractions of rules where the car-riding public is concerned. Where citizens will file complaints with the Superintendent of the road, they, in most cases, would not appear to testify at a trial before the Civil Service Commission.

This amendment is considered as an unwise extension of an old civil service provision that has been found to be unsound. Recommended that this be DISAPPROVED.

Charter Amendment No. 25: Salary Increase, Police Judges

This amendment, proposed by the San Francisco Lawyers Club, increases the compensation for the four police judges from the present $3,600 per year to $6,000 per year, a total increase of $9,600. Sessions of the courts are held only in the mornings. The judges are not barred from civil practice in such time as they may have from official duties. These salaries have not been raised since the adoption of the Charter in 1898. Of the ten cities larger than San Francisco only two—Baltimore $2,500 and Pittsburg, $3,000—pay their police judges or magistrates less than San Francisco. St. Louis pays $4,000; Los Angeles and Philadelphia $4,200; Boston $5,800; Cleveland $7,000; Chicago $9,000; New York $8,000; and Detroit $11,500. For nine of the ten cities immediately smaller than San Francisco, New Orleans pays $2,500; and Kansas City pays the San Francisco rate, $3,600. All of the others pay $4,000 or higher; Buffalo and Cincinnati pay $6,000, and Milwaukee $7,500. Recommended that this be APPROVED.

Charter Amendment No. 26: General Grant of Powers

This amendment, proposed by the City Attorney, empowers the Board of Supervisors, "to make and enforce all laws and regulations in respect to municipal affairs subject only to the restrictions and limitations provided in this charter." It was proposed by the City Attorney as a precautionary measure to enable the City, by ordinance, to control its local affairs where a general law, passed by the State Legislature, might conflict with local control of some municipal function. This is partially the form of "general grant of powers" adopted in the modern charters in California. Recommended that this be APPROVED.

Charter Amendment No. 27: Salary Standardization

This amendment—proposed by Supervisor A. J. Rossi, member of the Finance Committee, and in the drafting of which representatives of the Bureau, the Labor Council, the Civil Service Employees Association, and other organizations participated—is designed to end the present inequitable

and discriminatory method of fixing compensations, and in place thereof, to establish a scientific, equitable and fact-basis system of classifying employments and fixing compensations for such employments regardless of departmental lines, on the basis of duties, responsibilities and training required. Salaries and wages are now fixed in part by the Board of Supervisors and nine other agencies with salary-fixing powers.

Amendment No. 27 makes it the power and duty of the Supervisors to fix all compensations except for elected officials and members of the Fire and Police Departments whose salaries are now specified in the Charter. It provides that compensations of teachers and technical forces of the School and Library Departments, which departments now operate under salary standardization procedure, and of park and public utility construction employees, where large numbers of temporary and shifting employments are involved, shall continue to be fixed by the commission in charge unless it, by resolution, petitions the Supervisors to take over its salary fixing function.

The amendment requires the Civil Service Commission to classify and grade all employments in accordance with duties and responsibilities involved, and, upon request, after adoption of such classification by the Supervisors to formulate a schedule of compensations for each classification subdivision. These schedules may be adopted, rejected or amended by the Supervisors, provided that any proposed amendment must be referred to the Civil Service Commission for a report as to what other changes *should* be made to maintain the equitable relation of such amended compensations with other compensations in the city service.

The amendment provides that existing salaries of present incumbents shall not be reduced. If, however, after classification of employments and the fixing of compensations for such classifications, any position is found to be paid at a higher rate than that fixed for its classification, the lower salary shall become effective when new entrants are appointed to such positions. It has been estimated that salary-standardization work will take from one to two years, and, further, that within eight years about two-thirds of the present incumbents will have been replaced by new appointees due to deaths, resignations, retirements, etc.

Complete power is thus vested, as it should be, in the Board of Supervisors, for the fixing of compensations, the only restriction being that this power must be exercised on the basis of full and complete information, and as applied to groups doing similar work, rather than to individuals—in other words, "like pay for like work."

Amendment No. 27 will build for the future by replacing the present inequitable, unjust and discriminatory system—a system which frequently forces employees and groups into the field of political action to secure advancement—by a sound, scientific and equitable system that is in keeping

with modern practice in many cities and other governmental units in the United States. Recommended that this be APPROVED.

Charter Amendment No. 28: Acceptance of Spreckels Memorial

This amendment provides for the acceptance by the city of title to the gift of Adolph B. and Alma de Bretteville Spreckels, the California Palace of the Legion of Honor in Lincoln Park. Exclusive management and control is vested in a Board of Trustees of eleven, originally appointed by the Mayor, and thereafter self-perpetuating, the Mayor and the President of the Park Commission to be ex-officio members. The Board is empowered to make and enforce rules and regulations relative to the Memorial; to administer trusts created therefor; to provide memorial tablets and niches to perpetuate the memory of persons making valuable donations thereto; to elect, remove, prescribe the duties of and fix the salaries of all officers and assistants; to purchase works of art, literary productions, etc.; and to expend available funds. The amendment provides that the Supervisors shall annually appropriate sufficient funds for maintenance and operation. It is estimated that annual operating expenses may approximate $40,000. This gift has already, before formal dedication, become a civic asset. Recommended that this be APPROVED.

Charter Amendment No. 29: Acceptance of De Young Museum

This amendment provides for the acceptance by the city of title to the M. H. de Young Memorial Museum in Golden Gate Park. Exclusive management and control is vested in a Board of eleven trustees, originally appointed by the Mayor and thereafter self-perpetuating, the Mayor and the President of the Park Commission to be ex-officio members. The Board is empowered to employ, remove, define the duties of and fix the compensation of officers and assistants; to make and enforce rules and regulations; to administer trusts created for the Museum; to purchase works of art, literary productions, etc.; and to expend available funds. The Park Commission is required to set aside land along the entire rear of the present Museum for future extension and additional buildings, and to maintain the buildings and ground from its own funds. The Board of Supervisors is required to annually appropriate not less than $40,000 for maintenance and operation, and such additional amounts as may be required for buildings and maintenance. The 1923-24 maintenance cost totaled $28,120. It is stated by the curator, as an indicia of public interest and appreciation, that nearly 4,000,000 people visited the Museum during the past year. Recommended that this be APPROVED.

Charter Amendment No. 30: Salary Increase, Auditor's Attorney
Charter Amendment No. 31: Salary Increase, Sheriff's Attorney

These amendments, respectively, increase the compensation of the Auditor's and Sheriff's Attorneys from the present $150.00 per month to $250.00 per month, a total increased expenditure for the two offices of $2,400 a

year. A large majority of the legal opinions required by the Auditor are now requested of and received from the City Attorney's office. The Sheriff's attorney is stated as continuously engaged in the business of the Sheriff's office, both in the matter of opinions and court action. If the offices of attorney for the Auditor and Sheriff are required, the proposed increases are minor considerations.

In the opinion of the Bureau the legal work of these two offices should be handled by the City Attorney's office. The various city auditors throughout the State secure required legal advice from the city attorneys of their respective cities. The legal and court details incidental to a Sheriff's duties and a Sheriff's personal responsibilities, are handled in other California counties by the District Attorneys of such counties. It is recommended, therefore, that these be DISAPPROVED.

Charter Amendment No. 32: Improved Financing of Special Assessment Work

This amendment was initiated by the Chairman of the Supervisors' Streets and Sewers Committee as the result of a study made by the Bureau in cooperation with the City Engineer's office, which study showed a much higher cost for "special assessment" projects than for ordinary "city contract" projects. This higher cost, which ranged as high as 33% and averaged 14% over the period of seven years studied is due entirely to the cost of the cumbersome method of financing that is fixed by law for special assessment projects. Amendment No. 32 is an enabling act to correct this and reduce the cost of special assessment work to property owners who are subject to assessment therefor.

Amendment No. 32 provides that the people, by the usual two-thirds vote, may authorize bonds, the proceeds of which shall be used as a revolving fund for the initial payment of costs on special assessment projects. The Supervisors are empowered to set up procedure under which these bonds may be sold from time to time, not exceeding the amount authorized by the people, in accordance with certificates of the City Engineer as to the cost of specific projects to be financed. The amendment provides that these funds shall be used to make payments on work to be financed by special assessments, as such work progresses, and that the revolving fund shall be reimbursed by the collection of special assessment levied (as at present) on the property benefited.

Under existing procedure a contractor must carry the entire cost of the work until and after this is completed. Upon completion, he receives, not cash, but an "assessment roll" prepared by the Board of Public Works showing the parcels assessed, the owners (when known) and the amount assessed against each. He must then endeavor to locate the owners and collect the assessment, going to court to have parcels sold to cover any uncollectible assessments. For owners who elect to pay in ten annual installments, the contractor must take a ten-year bond, usually in an odd amount,

which is issued by the city on the individual parcel as security; these are not easily negotiated and usually must be marketed at a discount by the contractor to get his money out of the project. The cost of financing labor and material bills during construction, billing and collecting assessments, and discounting bonds, is, of course, included in the contract price. The procedure is so complicated that the field of special-assessment contract work is limited to a relatively few contractors who understand the procedure and have channels for marketing the ten-year bonds.

Under Amendment No. 32, it is estimated that a bond issue of from two to three million dollars will probably be adequate as a revolving fund for many years to come, the entire interest and redemption of which will be financed by special assessment collections. The principal changes are that the contractor is to be paid progressively during construction, and that assessments are to be paid to the city instead of the contractor. The simplified procedure will result in greater competition among contractors for such work, which in itself should produce lower prices. Upon the completion of the work the city, as at present, will levy the assessment. For those who elect to pay in ten annual installments (now paid to the city and turned over to the contractor or bondholder) their unpaid balances carrying 7% interest (as at present) wil be financed by general city bonds.

On the basis of $1,080,000 of special assessment work during the last fiscal year, (estimated to increase by 40% during current year) the property owners assessed therefor would have saved from $140,000 to $250,000 under the procedure now proposed, without any additional expense to the city. Recommended that this be APPROVED.

Charter Amendment No. 33: Budget Itemization of Personal Services

This amendment, proposed by the Labor Council, requires that the compensation for employees in all departments except police, fire, playground, park, library and school, shall be itemized and expended only for the itemized purposes, and if not so expended, shall revert each month to a special fund for reappropriation for the same purposes originally specified. The amendment in its original form affected all departments. It is intended particularly to set up and control the personal service expenditures of the Board of Public Works, and the Board of Health, and to prevent the diversion of funds appropriated for personal services to any other purpose. It is an imperfect and only partial correction of many existing fiscal defects of the charter. It may be difficult to work out in the case of street reconstruction, building repairs, etc. Its general effect, however, should represent an improvement. Recommended that this be APPROVED.

Charter Amendment No. 34: Salaries of Elective Officials

This amendment, proposed by some of the officers affected empowers the Supervisors to fix the salaries of the District Attorney, City Attorney, Auditor, County Clerk, Tax Collector, Treasurer, Coroner and Recorder, from

and after July 1, 1925, but not to exceed the present salaries of the Assessor and Sheriff, $8,000 per year. All of the officers are elective. The salaries, now specified in the Charter at $5,000 for the District Attorney and City Attorney, and $4,000 for the other officials, have not been increased since the adoption of the Charter in 1898. Considering responsibilities of the offices in conjunction with other compensations paid in the city service, increased compensations should be provided for most of the offices concerned.

In practically all cities, salaries of elective officials are fixed by charter; some cities, however, among them St. Louis, Philadelphia, Detroit, St. Paul, Portland and San Diego, vest power in the City Council to fix salaries of elective officials. The Bureau believes that salaries of *elective* officials should be fixed by the people and specified in the charter. On this basis, it is recommended that this be DISAPPROVED.

Charter Amendment No. 35: Salary Increase, The Mayor

This amendment, initiated in the Board of Supervisors, increases the salary of the Mayor from $6,000 as at present, to $12,000, such increase to be effective July 1, 1925. The present salary has not been changed since the adoption of the Charter. Under the Charter the Mayor, in addition to salary, is allowed a contingent fund of $3,600 (for which he need furnish no vouchers) for investigations or for expenses incidental to the office. Salaries of mayors in the ten cities immediately larger and smaller than San Francisco are: St. Louis, Boston, Baltimore, Pittsburg and Cincinnati, $10,000; Newark $8,250; Los Angeles and Buffalo $8,000; Milwaukee $6,800; and Minneapolis $6,000. Cities that are still smaller fix the Mayor's salary at from $7,500 to $10,000; our largest cities pay $15,000 to $25,000. Most of the cities mentioned have the "executive-mayor" type of organization, in which the Mayor is the actual, as well as the titular executive; in San Francisco, the principal executive and administrative control is vested in the Board of Supervisors. With the exception of Cleveland, (city manager form, under which the mayor's duties are principally ceremonial) San Francisco and Minneapolis pay their mayors the same lowest rate, $6,000 among the twenty-one largest cities in the country. Recommended that this be APPROVED.

Charter Amendment No. 36: Sheriff's Employees Under Civil Service

This amendment brings under Civil Service the positions of chief bookkeeper and cashier in the Sheriff's office, and "blankets" the present incumbents under Civil Service. Although this is personal legislation that should not be a part of the Charter, the Charter as existing is deficient in exempting these and many other specific positions. The amendment is sound to the extent that it "blankets in" the positions as well as the incumbents. It represents a slight improvement from the Civil Service stand-

point in reducing the number of exempt positions. Recommended that this be APPROVED.

Charter Amendment No. 37: City Pension System for Teachers

This amendment, initiated by one of the teachers' organizations, and proposed by the Mayor, empowers the Supervisors to establish a retirement system and provide for death benefits for San Francisco school teachers. Such a system if established must conform to the provisions of Article XVII of the Charter (adopted in 1920) establishing a pension system for general employees of the city. Article XVII provides: No retirement before age 62 except for disability; elective retirement, under special rates of contribution, after 30 years service; compulsory retirement at age 70; system to be based on actuarial reports and valuations; system to be on contributory plan; employees contributions not to exceed 5% of salary, which shall be matched by the city; employees over age 50 may be required to contribute not to exceed 10%; employees over age 40 may elect to make special contributions for the purpose of deriving compensating benefits; liabilities for prior service to be borne by the city; system to be administered by Board of Administration.

Amendment No. 37 provides that the proposed city system shall not deprive teachers of any State pension rights. The State pension system now provides for $1.00 monthly contribution from each teacher, a pension of $500.00 per year or $42.00 per month, retirement optional after 30 years service. The annuity is inadequate for self-support; its inadequacy has forced the average teacher, eligible for retirement, to continue teaching and to resist retirement regardless of age. The State system will no doubt be amended to provide a more adequate annuity rate. If this should be increased to one-half pay, the rate on which the average pension system is based, San Francisco teachers, with State pensions amplified by city pensions, will be enabled to retire after the alloted period of service on a pension equal to 83% of full time pay. This will be costly.

The amendment *intends* that the local pension system, and contributions thereunder, shall be based only on the proportion of teachers' salaries paid by the City and County, exclusive of the portion paid from State funds. The proportion paid by the City is approximately 72% or slightly over two-thirds. However, in defining how the proportion should be calculated the amendment states that it shall be the proportion which the city contribution to the School Fund bears to the amount contributed by the State. Under this definition the proportion is roughly two to one, although what is plainly intended amounts roughly to two to three.

The language of the amendment may thus prove to be legally defective and to constitute a legal obstacle to the practical operation of the proposed system. On an average salary of $1926.00, the proportion paid by the city $1386.00, and an average contribution of 4.83% (basis of the city's general pension plan) the

average contribution of teachers would approximate $67.00 a year. The city would be required to match this. As specifically defined, however, and as it may have to be legally interpreted, three times this amount may be required, or $201.00 as the average teacher's contribution to be matched by the city. Such contributions would be a heavy burden and would provide large and unnecessary reserves. Informal and offhand legal opinion is to the effect that the intention is so plain that the conflicting language may possibly be disregarded in determining the method of calculating State and county proportions.

Accurate estimates of the probable cost are impossible pending an actuarial evaluation. On the basis of 2336 teachers, $1926.00 average salary, $1386.00 as the proportion paid by the city, and 4.83% as the rate of contribution for future service, it is estimated by the Bureau, that the city's contribution for *future* service to match employees' contributions will amount to $156,000 per year; and that the appropriation for liabilties due to *prior* service, which is to be borne entirely by the city, will be at least $44,800 a year on a cash basis. This would indicate a minimum annual cost of $200,000. The immediate actual cost may exceed this by many thousands—depending upon the methods of setting up or extinguishing the *prior service* liability—particularly if a large number of superannuated teachers retire immediately when an adequate pension system is provided.

The provision of an adequate pension system for teachers will be costly. The necessity of a humane method for retiring superannuated teachers, however, is paramount. The influence of aged teachers, forced to continue by the prospect of poverty and deprivations on a present allowance of $42.00 a month, cannot make for sound education. With the thought that the legal entanglements in the amendment may not interfere with the practical administration of the proposed system, it is recommended that this be APPROVED.

Charter Amendment No. 38: Equalization of Pensions, Volunteer Firemen

This amendment would increase the pensions for volunteer firemen from the present $75.00 per month to $85.00 per month, the pension rate now applicable to full-time firemen retired under the fire pension provisions of the charter. The amendment applies only to those retired prior to 1900 of which there are two remaining on the pension roll. Up to 1900, firemen were on call at a compensation of $35.00 a month, and a half-pay pension of $17.50 per month. The firemen in the full-time service have had automatic increases in pension rate to conform to one-half of the increased rate voted by the people for the rank held by them on retirement. These increases, however, are not automatically applicable to the volunteer firemen. In 1911, and again in 1920, by charter amendments, their pension rates were increased to $45.00, and $75.00 per month. The present amend-

ment is intended to bring the pension rate for the remaining volunteer firemen up to the pension rate for the full-time firemen. Recommended that this be APPROVED.

Charter Amendment No. 39: Reorganization of Fire Department and Increasing Pensions

This amendment, proposed by the David Scannell Club, an organization of the firemen, has two main purposes—first, the revision of existing charter specifications which fix a maximum strength for fire companies, and second, the extension of the existing firemen's pension provisions.

FIRE COMPANY ORGANIZATION: The Charter now specifies the maximum number of each rank for the composition of engine, chemical, truck, water tower and fire-boat companies. The amendment substitutes minimum provisions ("not less than") for the existing maximum provisions ("not more than"), and revises and increases the specified numerical strength of the several companies. The amendment also confirms in their positions the present "Chiefs Operators"—now subject to selection and reassignment by the Chief—although the operators affected petitioned the Supervisors to delete such proposed provisions from the amendment.

In the opinion of the Bureau such detailed specification have no proper place in the organic law of the city. No other city charter with which the Bureau is acquainted attempts to specify such administrative details. Under our existing form of organization such matters should be determined by the Fire Commission, subject to the annual appropriations of the Board of Supervisors.

The amendment may have a mandatory effect on Supervisorial appropriations. For each company organized and maintained by the Fire Commission, the Supervisors would probably have to appropriate for the *minimum* force as specified in the amendment. It is stated by the proponents that its only purpose is to straighten out clerical difficulties incidental to the maintenance of "paper companies" necessitated by the imperfect framing of the two-platoon amendment of 1916. Measures have been mentioned as under consideration by the men to double the number of company officers, to provide these for both day and night shifts. The possible actual effect of the amendment is largely a matter of conjecture, but an increase is looked for.

On the basis of the number of "active companies" now maintained, the minimum company organization, as provided by the amendment, would permit of a reduction of 47 men. No reduction, however, is contemplated. On the basis of the number of "paper companies" now maintained, if the minimum company strength specified in the amendment is applied, there would be an increase of 398 men. This would be possible under the amendment, but as stated there is no accurate information as to what is specifically intended.

EXTENSION OF FIRE PENSIONS: The Charter now provides for three classes of fire pensions—(1) a *service* pension after 25 years' service, or after 20 years' service at age 55 ,amounting to one-half pay for the life of the pensioner; (2) a *disability* pension for injuries incurred in performance of duty, amounting to one-half pay for the life of the pensioner; and (3) a pension to widows and orphans in the event of death on duty, or from injuries culminating in death within one year, this pension amounting to one-half pay as long as the widow remains unmarried or until the youngest of dependent children reach the age of 16.

This in its present form is a most liberal pension system. Its cost is borne entirely by the city without any contribution from the firemen. Under it a firemen entering the service at age 21 can retire at age 46 with half-pay for life, or entering at age 35 can retire at age 55 on half-pay for life. It now costs the city $324,000 a year, which cost has doubled in the five years since 1920-21. It will continue to increase until it reaches its peak, probably twenty-five years hence.

Amendment No. 39 extends *service* and *disability* pensions beyond the life of the pensioner, to widows as long as they remain unmarried, and to dependent children until the youngest reaches the age 16. It also changes the basis of pension rates, from the present one-half of the average salary for *three years prior* to retirement, to one-half of the salary received *at the time* of retirement.

The Bureau has caused an actuarial analysis to be made by A. H. Mowbray, consulting actuary and Professor of Insurance at the University of California, who has reported on the probable effect of these extensions.

The report calls attention to the fact that most pension plans provide for the average of several years pay as the basis for pension rates, "so as to avoid promotions immediately before attainment of retirement age, in order to give the employee the benefit of a pension corresponding to the higher rank which he would occupy for a short time only." The report points out that if Civil Service rules will not prevent such promotions, the basing of pension rates on the pay received AT THE TIME OF retirement will bring about a substantial increase in the cost.

The actuarial study indicates that the proposed extension of pension provisions will increase the city's liability for *service* and *disability* fire pensions by over forty per cent. As the fire pension system is on a cash-outlay, rather than an annual reserve-for-liabilities basis, it will not require an immediate additional outlay of forty per cent of the present pension costs. On the other hand, if the amendment is retroactively applied, the immediate additional outlay required may be considerable.

On the rough estimate that the city's liability for EXISTING fire pensions is approximately ten times the average annual

pension paid this liability for the EXISTING pensions effected by the proposed amendment will approximate $2,400,000. The proposed extension of pensions would increase the city's liability to approximately $3,500,000. This is exclusive of the much larger increase in the city's liability for the proposed extension of pensions, as applied to the men now in active service who will in time retire and go on the pension roll.

The amendment offers no safeguards to the city against pension liabilities to widows who acquire marital status AFTER firemen are retired and placed on the pension roll; costly and inequitable practices growing out of a lack of such safeguards in other pension systems have been frequently criticized. The amendment, likewise, offers no means of discretionary determination as to whether the widow of a fireman, retired on a SERVICE or DISABILITY pension, requires the aid that the proposed continuation of the pension would provide.

As a matter of civic interest the actuary's report roughly estimates the city's liability, to both pensioners and active employees of the Fire Department, under the *existing* fire pension system, as around $10,000,000, and recommends the study and investigation of these liabilities and the provision of adequate reserves to meet them.

On the basis of the possible costly effect of the proposed revision, of company strength of the Fire Department and the certain heavy increase in cost that would be occasioned by the extension, with no safeguards to the city, of the already liberal fire pension provisions, it is recommended that this amendment be DISAPPROVED.

Charter Amendment No. 40: Salary Increases, Fire Department

This amendment, proposed by the David Scannell Club, includes the increases for the chief, assistant chiefs, and battalion chiefs, as provided in Amendment No. 22, and, in addition, provides for increases ranging from $310 to $420 a year for all other ranks of the Department. It would increase the payroll of the Fire Department by $331,006 per year, which, with the $27,040 of increases provided by Amendment No. 22 would raise the total increase to $358,046 or more than 15% of the current payroll. It would also automatically increase the pension rates of 262 now on the fire pension roll. This increase would amount to $54,120, making a total increase, payroll and pension roll, of $412,166, equivalent to 6c on the tax rate.

The requested increases came as a last-minute proposal. During the weeks of consideration of Charter amendments by the Judiciary Committee, at which the representatives of the David Scannell Club were in frequent attendance, no intimation of such a proposal was made. At these hearings an amendment was introduced to increase the pay of the Chief Engineer of the Fire Department; this was later amended to include

assistant chiefs and battalion chiefs. The Judiciary Committee completed its hearings on Tuesday, September 16th. The Supervisors held a special meeting on Thursday, September 18th, at which the amendments reported on by the Judiciary Committee were acted on. According to reports, on Saturday, September 20th, the Scannell Club, at a special meeting, decided to propose a charter amendment to provide a blanket increase for all ranks. This was introduced before the Supervisors on Monday, September 22nd, and, without discussion, was "ordered submitted" by the Supervisors.

The people in 1918 voted $20 a month increase for all ranks from captain down, and in 1920 an additional $30 per month increase for all ranks in the Department. These increases were designed to meet the increased costs of living of the war and post-war periods. Since then the cost of living has fallen materially. The recent and present nation-wide trend, industrially, as reported in the bulletins of the National Industrial Conference Board, is toward wage reduction. As stated, there was apparently no urge for the salary increases prior to and during legislative consideration of charter amendments; the impulse may have come from the fact that the charter amendment to increase the pay of the heads of the Department had been introduced and "ordered submitted" by the Supervisors.

Comparisons of the *present* San Francisco salaries with salaries paid in the five larger and five smaller cities, as tabulated herewith, show that, the San Francisco salaries are *well* above the average for each rank in these other cities. The San Francisco and Pittsburg scales, which are about the same, rank practically the highest among these cities. In fact, the present San Francisco scale is exceeded only by New York, Chicago and Detroit. Practically all of the cities tabulated, together with the larger cities of the country, have winter conditions, unfavorable to fire-fighting employment, that are unknown in San Francisco. The proposed increases would make San Francisco salaries practically the highest among the large cities of the country.

Comparative Fire Department Salaries—1924

San Francisco and Five Larger and Five Smaller Cities
(*Italics indicate rates higher than present San Francisco salaries*)

No.	City	Pop. (1923)	Capt.	Lieut.	Engr.	Firemen Max.	Firemen Min.	Per Capita Cost
6.	St. Louis	803,853	$2,040	$1,800	$1,800	$1,680	$1,680	$2.44
7.	Baltimore	773,580	1,800	1,675	1,750	1,600	1,500	3.26
8.	Boston	770,400	*2,500*	2,300		2,000	1,500	5.05
9.	Los Angeles	666,853	2,340	*2,340*	2,280	2,040	1,680	4.69
10.	Pittsburgh	613,442	2,460	2,280	2,220	2,040	1,800	3.23
11.	San Francisco, *proposed*	539,038	*2,820*	*2,620*	*2,640*	*2,400*	*2,160*	*5.82*
	San Francisco, *present*	"	2,460	2,310	2,280	2,040	1,800	5.15
	AVERAGE, excl. San Francisco	590,358	2,251	2,046	1,985	1,883	1,687	3.53
12.	Buffalo	536,718	2,400	1,950		1,950	*1,950*	3.04
13.	Milwaukee	484,595	2,240	2,100		1,980	*1,860*	3.09
15.	Newark	438,699	*2,600*			2,000	1,800	4.40
16.	Minneapolis	409,125	2,280	2,220	2,160	2,040	1,800	3.01
17.	Cincinnati	406,312	1,850	1,750	1,700	1,500	1,300	2.61

Comparison with salaries paid in other cities, although not conclusive, is the only basis available for analyzing the proposed increase. As long as salaries for the Fire Department are fixed by Charter there will be no opportunity for analyzing and re-adjusting these in accordance with other salaries in the city service. One basis of comparison is furnised by considering the average salary for teachers at $1926 a year, with no local pension privileges, in comparison with an average salary for the uniformed ranks of the Fire Department of $2105, with very liberal pension privileges, that may be considered as worth from $400 to $500 a year in addition to pay.

The specification of salaries by Charter or Charter amendment for the rank and file of departments is unsound. The people in acting on these cannot be expected to know the details of duties and responsibilities of the various positions, training and experience required, etc., nor have they the time, information or facilities for making adequate comparison with other salaries paid in the city service. The people can act in such technical, administrative details only on broad questions of principle, or on the basis of sentiment for, or prejudice against, a particular group. Furthermore, while the Charter is specific in provisions designed to keep the Fire and Police Departments out of politics, the necessity for organizing and going before the people on salary questions defeats that specific intention.

In considering the $412,000 increase involved in Amendment No. 40, it is not amiss to note that the per capita expenditure of San Francisco for its Fire Department is the highest among the twenty-one largest cities of the country. Using current appropriation figures and U. S. Census Bureau population estimates of 1923 for all cities, the per capita expenditure for the San Francisco Fire Department is $5.15 for the year. If the increase proposed in this amendment should be voted, this would be increased to a per capita of $5.82. Only one other city, Boston, $5.05—has a per capita cost in excess of $5.00; only six cities, including San Francisco, have a per capita cost in excess of $4.00. The average per capita cost for twenty of the largest cities in the country (Washington, D. C., figures not available) is $2.97 as compared to $5.15 for San Francisco.

In the opinion of the Bureau, if there is necessity for the proposed increases, or for re-adjustment of the various salaries in the Department, with respect to each other, these should come as the result of study and analysis of the city's entire compensation schedule. Fire and Police salaries should not be specified in the Charter, but should be fixed by the legislative body on the basis of complete information as to duties, responsibilities, and experience involved, and comparison with other salaries paid in the city service. Recommended that this be DISAPPROVED.

Charter Amendment No. 41: Salary Increases, Police Department

This amendment, providing for salary increases in the Police Department, was brought before the Board of Supervisors on Monday, Septem-

ber 22nd, after the Judiciary Committee's report on proposed Charter amendments had been disposed of. It was introduced as a companion measure to the Fire Department Amendment No. 40 previously discussed. Police officials, have stated that the amendment was not requested by them and was submitted without their knowledge; the amendment having been introduced, however, it is being actively supported by the Police Department. The amendment would provide for the following increases in annual compensation: Chief, $1,200; capitain of detectives and captain of traffic, $1,000; other capitains, $600; lieutenants, $480; sergeants, corporals, detective sergeants, and patrol drivers, $360; police officers, $336.

Adoption of the amendment would increase the police payroll on the basis of the present force by $383,664, or 15.5 per cent; it would automatically increase the pension rates of 160 persons now on the pension roll, an increase of $28,362 a year, or a total increase, payroll and pension roll combined, of $412,026. This additional expenditure would require an increase in tax rate, on the basis of the current assessment roll, of 6 cents.

In the opinion of the Bureau this amendment should not be considered or settled on the basis of sentiment on the one hand, or financial interest or cost on the other. If it is a sentimental issue—if it is to be based entirely on the consideration of the average of one police officer a year killed in the performance of duty—it is idle to analyze the proposed increases ranging from $336 to $600 a year. Money cannot pay for human life, and no salary that might be considered would be adequate recompense therefor.

The city by Charter provisions, has attempted to provide for the hazards of police employment by a one-half pay pension for life in the event of disability, and a similar allowance to widows, orphans or other dependents for men killed in the performance of their duty. If the principal consideration is a sentimental one, such allowances should be increased if they are inadequate. Amendment No. 41, however, will only change these indirectly, by providing an increase in the amount of pay on which *all* police pensions will be based.

The "occupational hazards" of police service, according to the occupational ratings of one of the largest insurance companies, is in the same class as the hazards of employment as chauffeur, bus driver, truck driver, teamster, night watchman, hospital orderly, electrical inspector, laborer, asphalt worker, horse-shoer, street cleaner, etc. According to the same rating it is greater than the hazard of employment as fireman, and less than that of electrical lineman, painter or roofer. These ratings result from dispassionate actuarial analyses that furnish the basis for all insurance rates. Furthermore, between thirty and forty per cent of the force of the Police Department is assigned to supervisory, clerical, traffic, outside-department, and other details, that are apart from actual patrol and

detection of crime duties, and where normally the contact with criminals and the hazards attendant thereon are remote.

The existing San Francisco police salaries, except for the Chief of Police, are well above the average for the five larger and five smaller cities. This is shown by the accompanying tabulation. The Chief's salary is higher only in Baltimore and Boston; Captain of detectives' salary exceeded only by Los Angeles; Detectives' salaries are equal to the highest; captains, lieutenants and sergeants salaries are exceeded only by Boston, Los Angeles and Newark; while police officers' salaries are the highest, as a maximum and considerably the highest as a minimum. The proposed increases will make San Francisco salaries, except for the Chief, the highest in the group, and equal to the highest among the largest cities in the country for the men and exceeded only by New York for the commissioned officers of the Department.

Comparative Police Salaries—1924

San Francisco and Five Larger and Five Smaller Cities
(*Italics indicate rates higher than present San Francisco salaries*)

No.	City	Chief	Detectives Capt.	Detectives Men	Capt.	Lieut.	Sergt.	Corp.	Patrolmen Max.	Patrolmen Min.	Per Capita Cost
6.	St. Louis	$5,000	$4,000		$2,700	$2,400	$2,004		$1,740	$1,740	$5.51
7.	Baltimore	*10,000*	3,120	1,898	2,600	2,236	1,872		1,690	1,430	4.95
8.	Boston	*7,000*			*3,500*	2,500	*2,300*		2,000	1,500	5.88
9.	Los Angeles	6,000	*4,200*		*3,300*	*2,700*	*2,340*		2,040	1,680	6.80
10.	Pittsburgh	5,000		2,400	3,000	2,460	2,160		2,040	1,800	3.88
11.	San Francisco										
	Proposed	*7,200*	*5,000*	*2,760*	*3,600*	*3,000*	*2,640*	*2,520*	*2,400*	*2,400*	*5.45*
	Present	6,000	4,000	2,400	3,000	2,520	2,280	2,160	2,064	2,064	4.74
	AVERAGE, excl. S. F.	*6,040*	3,552	2,206	2,947	2,347	2,108		1,886	1,670	3.53
12.	Buffalo	5,500		2,200	2,580	1,950			1,950	1,950	3.54
13.	Milwaukee	5,500	3,140	2,340			2,140		1,860	1,700	3.46
15.	Newark	5,400			*3,400*	*2,600*	*2,300*		2,000	1,800	5.19
16.	Min'eap'lis	5,000	3,300	2,400	2,500	2,280	2,160		2,040	1,800	2.69
17.	Cincinnati	6,000		2,000		2,000	1,700	1,600	1,500	1,300	2.57

Police salaries were increased in 1918 and again in 1920, the two increases amounting to $50 per month. These increases were intended to offset the war time increase in living cost which has since been materially reduced. The present salaries paid, except for executive officers, rank well above the average in comparison with the largest cities in the country. Furthermore, and perhaps for this reason, the matter of an increase was not initiated or requested by the men or the department. The recent and present trend of compensations in the big industrial centers of the country is downward.

Readjustment of compensations as between the various ranks, if required will not be accomplished by the amendment. The basic condition which brings about this amendment—the specification of departmental salaries in the Charter—is wrong. Obviously, the people can vote with intelli-

gence on the broad question involved—increase or no increase. The vote of the people will be based largely on individual sentiments or prejudices. Equitable salary fixing, especially where large numbers are involved, is one of the most complex details of both municipal and private business, involving as it does consideration of duties, responsibility, and extent of training and experience required for each position in comparison with all other positions.

The charter provisions establishing specific salaries should be repealed, and in lieu thereof these should be fixed by the legislative body on the basis of full information and complete comparative data. The need for increases and readjustments could then be considered and settled on the merits of the case; the need for the organization of the men for a political purpose, with resulting by-products not incidental, would then be obviated. On the basis of the origin of the amendment, the comparative data herein as to police salaries, and the belief that the Charter-fixing of departmental salaries is wrong in principle, it is recommended that this be DISAPPROVED.

Charter Amendment No. 42: Special Tax for Playgrounds

This amendment, initiated by the Playground Commission, requires the Supervisors to annually appropriate to such commission not less than 5c, nor more than 7c on the tax rate, such appropriations to be exclusive of the charter tax rate limit, and to be managed and disbursed exclusively by the Playground Commission for the purchase, development, equipment and maintenance of playgrounds and recreation centers. The Park Commission is given management and control of Aquatic Park, Fleishacker Pool and Playfield, the Municipal Golf Links, and the Polytechnic Stadium, together with lands adjacent to each to be designated by the Supervisors. This amendment was also a last minute proposal and grew out of another proposed amendment, which was withdrawn when it met with considerable opposition, that would have consolidated parks and playgrounds under a single commission.

Under existing Charter provisions there is no limitation, other than the tax rate limitation of the Charter, on the amount that the Supervisors may appropriate to the Playground Commission. Appropriations are made to the Playground Commission for maintenance, operation and equipment; additional appropriations are made to and expended by the Board of Supervisors for the purchase of land. Appropriations to the Playground Department for the current and the last two fiscal years have ranged from $134,000 to $170,000 or 2.5c on the tax rate; appropriations under the control of the Board of Supervisors for playground purposes have in the same period ranged from $85,000 to $90,500 or 1.3c on the tax rate, a total for the two classes ranging from $219,000 to $260,500 or approximately 3.8c on the rate.

There can be no question as to the need of adequate support for play-

ground activities, and of a farseeing policy of providing sufficient funds for the purchase of land and the development of playgrounds. The ideal toward which several of the large cities are working is to locate a playground within half a mile of each sizable group in the community. San Francisco despite its high proportion of apartment-house population does not begin to approach the playground development that is required.

The amendment may offer a simpler means of securing additional funds for playground purposes than the development of public sentiment and its consequent reflection in the appropriations of the Board of Supervisors. The Bureau has expressed to Playground officials the necessity of a comprehensive program for playground development in the city. If such a plan should be developed—and the Bureau stands ready to lend its facilities to assist in such development—there is little doubt that adequate appropriations to finance this would be forthcoming.

The Bureau believes that there is danger in prescribing in the Charter fixed tax rates for specific departments. Such fixed tax rates are already provided for the Library and Park Departments. Although in both cases a minimum and a maximum rate is provided, the maximum rate is appropriated, is considered by the Supervisors as a mandate by the people, and engenders the feeling that the Supervisors, although the controlling body, are not directly and intimately concerned in either program or expenditures. If there is merit in a fixed rate for one department or activity there is equal merit in a similar fixed rate for many other departments. It is obvious, however, that under such a policy the city's expenditure program would be "frozen" and would be susceptible of little centralized control.

Adequate appropriations can be provided under existing laws to meet the needs of the city for playgrounds. The principal difficulty in the past in securing adequate appropriations has been due to the lack of a stated program. The writing into our fundamental law of a fixed tax rate for the Playground Department or any other department is unsound, and on this basis, without prejudice to the need for funds to provide for necessary playground extension, it is recommended that this be DISAPPROVED.

Proposition No. 43: To Repeal Cemetery Removal Ordinances

This ordinance, referred to the people by the Mayor, repeals the four ordinances adopted by the Supervisors providing for the removal of the four cemeteries in the city. Not being a governmental measure, this is NOT ACTED ON BY THE BUREAU.

The City

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Increased Tax Rate by Charter Amendments
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The City

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Increased Tax Rate by Charter Amendments

When the people at the election of November 4th adopted eighteen of the twenty-four charter amendments placed on the ballot, the vote constituted a mandate to the Supervisors to make appropriations for the several purposes that will very materially increase the cost of government. Three of the six amendments voted down involved salary increases for police judges, sheriff's attorney and the Mayor, totaling $16,800. The rejection of another amendment, No. 22, fire chiefs' salaries, has no practical affect, as the proposed increases were also included in Amendment No. 40 which carried. The other two amendments voted down, relative to increasing the debt limit and leasing sub-park areas, would have had no immediate financial effect.

The increased costs will come under two heads: (1) An increased cost of operation ranging from $221,000 to $499,000 for the Municipal Railway, which is discussed in a separate article, and (2) an increased cost of government to be provided for in the annual budget and funded out of the annual tax rate. It is estimated that the increased cost of government to be funded by taxation will range from $1,231,000 to $1,503,000. These estimates do not include a probable increase in Fire Department personnel under Amendment No. 39, and include a figure that is probably low for the cost of the teachers' pension system under Amendment No. 37. These in-

creases would involve an increase in the tax rate of from 18c to 22c on the basis of the *current* assessment roll.

ADDITIONAL COSTS VOTED

(Exclusive of Municipal Railway)

	Estimated Additions MINIMUM	MAXIMUM
Operation & Maintenance, Spreckels Memorial	$40,000	$?
Additional Operation & Maintenance, de Young Museum	12,000	?
Salary Increase, Auditor's Attorney	1,200	1,200
Salary Increases, Elective Officials	?	30,000
Teachers' Pensions—future service	156,371	156,371*
Teachers' Pensions—prior service	44,800	108,834
Increase in Volunteer Firemen's pensions	240	240
Increased personnel, Fire Dept. reorganization	?	?
Extension of Fire Pensions	70,020	112,032
Salary Increases, Fire Department	358,046	358,046*
Increases Applicable to Fire Dept. pension rates	54,120	54,120*
Salary Increases, Police Department	383,664	383,664*
Increases applicable to Police Dept. pensions	28,362	28,362*
Special Tax for Playgrounds	82,000**	218,000**
	$1,230,823	$1,502,869

*Will be further increased by increase in force.
**Will be further increased by increase in assessment roll.

In making any estimates of the probable tax rate for next year as the result of these increases voted by the people, cognizance must be taken of the probable increase in the assessment roll. Each $1,000,000 of increase in assessed values will produce, at the present tax rate, $34,700 of additional municipal revenue. With a $35,000,000 increase in the assessment roll, over $1,200,000 of additional revenue would be produced without increase in the tax rate. In the light of past experience, it is probable that such additional revenue will be largely absorbed by appropriations for additions to the present services—more policemen, more teachers, additional fire companies, more material, supplies and equipment, increased debt charges, the usual salary increases, etc.

The tax rates for the current and last fiscal years were held down to $3.47 per $100 of assessed valuation only by under-appropriating in the annual budgets for bond interest and redemption charges, and making up the apparent deficit in such appropriations by revenues from the re-investment of idle bond funds, interest charges paid by Spring Valley, refund from the State for certain debt charges, and anticipated appropriation from the Hetch Hetchy Operative Revenue Fund to meet debt charges.

A $3.70 Rate For Next Year?

With the start of the next fiscal year the revenue to be derived from the re-investment of idle bond fund balances will probably fall off materially; such idle funds will be limited to cash proceeds temporarily available from school bonds and 1924 Hetch Hetchy water bonds that may be sold.

Recently the Supervisors appropriated $620,000, or nearly one-half of the Hetch Hetchy Operative Revenue Fund. If, as apparently required by the Charter, this Fund is used to reimburse the 1910 Water Bond Fund for the purpose of keeping the present construction work going, the Fund will be wiped out, and no balances will be available for use next year in meeting debt charges. In such event, the budget appropriation for bond interest and redemption to be funded by taxation cannot fail to materially increase.

A possible tax rate of $4.00 has been mentioned by the Chairman of the Supervisors' Finance Committee. If it be assumed that the additional revenue to be derived from the natural increase in the assessment roll will be entirely absorbed by additions to present services; and if it be further assumed that the ordinance to create a teachers' pension system authorized by the people can be made effective by July 1st next, the tax rate for the next fiscal year due to the additional costs voted by the people, may amount to $3.65 or $3.70 per $100 of assessed valuation.

Governmental Improvements in Other Cities

Measures to improve the organization, methods and procedure of governmental machinery in the larger cities have been very actively prosecuted in the last several years. Probably the most important single development was the adoption in Cleveland, by vote of the people in 1922, of a revised charter, which provided for a city-manager type of government, in place of the existing "strong-mayor" type, and provided, also, for the proportional-representation system of electing the councilmen. A scattering and incomplete outline of other recent governmental developments throughout the country is touched upon in the following.

KANSAS CITY, MISSOURI, the nineteenth largest city, with a population of 338,000, created a new-charter commission in February 1924, and specified that the charter to be drafted should provide for a city-manager form of government. The commission recently submitted a tentative draft of the proposed new charter, abolishing the two-house legislative body and providing for a council of nine, creating a city-manager form of government, and co-ordinating the operations of the city into eight departments—law, public works, fire, welfare, parks, utilities, finance and personnel. Election on the new charter must be held before February 26, 1925.

CINCINNATI, OHIO, the sixteenth largest city, with a population of 404,000, adopted, at the November election, by amendment to its present charter, a city-manager form of government, with a council of nine elected by the proportional-representative system of voting. This re-organization was the outgrowth of a survey made under the direction of Dr. L. D. Upson, Director of the Detroit Bureau of Governmnetal Research, at the invitation of the Republican Executive Committee.

In BALTIMORE, MARYLAND, the eighth largest city, with a population of 762,000, a Mayor's Committee on Economy and Efficiency has been working for over a year surveying and revising the entire procedural machinery of the city. The city tax rate for 1925 has been cut to $2.58 on each $100 of assessed valuation, a reduction of thirty-two cents, as compared with the 1924 rate of $2.90. A charter amendment was adopted at the November election empowering the Mayor and Council, by ordinance, to reorganize all municipal offices and to abolish such offices, boards and commissions as they see fit. In addition a charter revision committee of seven has been appointed by Mayor Jackson to prepare a complete revised charter for submission to the voters at the election in the fall of 1926.

The Council of KNOXVILLE, TENNESSEE, on July 30th, at the end of the first year of city-manager government, voted a refund to the taxpayers of ten per cent of the tax levied for the current year, amounting in the aggregate to approximately $280,000.

The Mayor of PHILADELPHIA, has proposed to the Council what the Philadelphia Bureau of Municipal Research characterizes as the first genuine executive budget for that city under the executive budget powers specified in the charter of 1919. According to the Bureau, "The Mayor has not been content to simply act as a conduit or agency for transmitting unco-ordinated estimates or requests to the city council. He has sensed the responsibility placed on him by the city charter and has in fact been the budget maker."

In SEATTLE, WASHINGTON, after the Council had refused to allow a proposed flat increase of $25 per month in policemen's and firemen's salaries, and allowed instead increases ranging from $5 to $15 per month, the men by initiative petition placed a measure on the ballot to secure the $25 increase. This initiative was approved by the people at the November election. The increase voted brings the rates for patrolmen and firemen to $2100 minimum, and $2280 maximum.

The STATE OF OREGON, at the November election, repealed the State income tax law, which had been adopted only one year ago. Its intended purpose at the time of adoption was to shift to the shoulders of Oregon industry a part of the tax burden carried by agriculture. The practical effect of the law, however, was to frighten away prospective industries and to cause some enterprises to remove from Oregon. Also, at the November elections, the voters of FLORIDA and MICHIGAN, rejected proposed State income tax laws.

Legal Use of Hetch Hetchy Operating Revenues

A controversy has recently arisen over the use of the so-called Hetch Hetchy Operative Revenue Fund. Receipts totaling $1,418,435 were paid into this Fund, which now totals $1,292,584. These moneys had been

accumulated in the last six or seven years as a by-product of Hetch Hetchy construction operations—$1,054,720 from freight and other charges on the Hetch Hetchy Railroad, $306,800 from the sale of surplus power, and $56,915 from miscellaneous sources. The controversy, which was brought to a head by the information that the balances in the 1910 Hetch Hetchy Water Bond Fund were insufficient to meet current bills, precipitated a newspaper controversy between the Finance Committee and the City Engineer's office, as to the propriety and legality of using the Operating Revenue Fund to meet bond interest charges on the one hand, or construction expenses on the other.

At the meeting of the Supervisors on November 17th, on the motion of the Finance Committee, the Board appropriated $620,000 of this Fund to meet interest charges, thus taking the definite step that has been forecasted in the last two budget reports, and that has been consistently objected to by the City Engineer's office. This reduced the balance in the Fund to $672,584.

Charter Requirements

The Charter, in providing for the disposition of receipts from public utilities, definitely specifies the order in which appropriations of such receipts may be made—operation, repairs, debt charges, extensions and reserve fund; and provides, also, that when such a reserve fund shall exceed one-half the operating expenses for the preceding year, the Supervisors may appropriate the excess to the General Fund. The City Attorney has ruled in the case of the Municipal Railway that the *order* so specified is controlling. Under the terms of the Charter, therefore, the Supervisors, legally, can appropriate for interest and bond redemption payments on the debt of the utilities concerned, only such portion of the utility receipts as remains after paying (1) operating expenses, and (2) repair and reconstruction costs; and for general debt charges or other general purposes, only the excess in a Reserve Fund of the utility.

Inasmuch as operating and repair costs of both the construction power house and the Hetch Hetchy Railroad (which have contributed most of the revenues in the Hetch Hetchy Operative Fund) have been met entirely out of the proceeds of the 1910 Water Bond issue, it would follow, under the terms of the Charter, that such expenses should be repaid from revenues before such revenues could legally be used for the payment of interest and bond redemption.

The Bureau, under date of May 24, 1923, in a report to the Finance Committee on that Committee's 1923-24 budget recommendations, questioned the legality of the then-proposed use of these revenues for interest, prior to their application to operation and repairs, and recommended that the Supervisors request an opinion from the City Attorney thereon. As far as is known no such opinion has ever been formally requested or received.

The Finance Committee has stated that the Fund was created years ago for the specific purpose of later meeting interest charges and thus reducing the tax rate. The Engineer's office and the City's special Hetch Hetchy counsel contend that the use of this Fund for interest payments is equivalent to using the proceeds of bond sales to pay bond interest. It is true that had it not been planned to use this Fund to meet interest payments, such payments would have had to be provided for in the annual budget; this would have necessitated an increase in the tax rate.

As far as is known no analysis has ever been made of the costs of operation, repairs and reconstruction (properly chargeable against the Fund) of the Hetch Hetchy Railroad, power house and other utility units which have produced the revenues. To comply with the Charter the Supervisors should cause an analysis to be made. The balance then remaining, if any, would be legally available for appropriation to meet bond interest and redemption charges on these units of the Hetch Hetchy enterprise.

More Costly Railway Operation Under Amendment No. 21

Charter Amendment No. 21, proposed by the Labor Council and adopted by the voters at the November 4th election, will probably have an effect on the Municipal Railway and on local municipal-ownership policies that was not understood by many of those voting for it or those who proposed it. The control of publicly-owned utilities by an elective legislative body, and the settlement of complex operating problems by the electorate, obviously without adequate information as a basis for intelligent decision, are not businesslike and may spell disaster. Municipal-ownership, like private-ownership, can succeed only by adherence to principles that are fundamentally sound and have been tested by experience.

Regulation of a highly complex business, such as a street railway represents, by others than those qualified by experience and training, does not tend to efficiency and economy in the management and operation of the utility. If publicly-owned utilities are not to become a charge on the public credit, they must be removed from politics. A charter-amendment to create and fix the powers of a public utility commission was introduced before the Supervisors' Judiciary Committee for this purpose; when opposed, the amendment was not pressed by its proposer.

Amendment No. 21, if enforced, will require a schedule of working hours for platform men that will add materially to Municipal Railway operating costs; at the same time, average earnings of the men will probably be reduced by the necessity of avoiding costly over-time charges. Under this law, the basic hours of labor for Municipal Railway employees are fixed at eight hours to be completed within ten consecutive hours, with one day of rest in each seven days, all labor in excess of eight hours per day,

or six days per week, to be paid for as over-time at the rate of time and a half.

Revision of Operating Schedules

In a pre-election analysis by the Bureau, it was stated that the amendment was construed by the Bureau, by the railway operating officials, and by the spokesman for the men, as prohibiting assignments running in excess of ten consecutive hours, and to require either, (1) eight hours pay for any time under eight hours of work, or (2) the continued operation of cars beyond the "short-run" requirements of traffic, so that the men would be continuously employed and paid for eight hours, or (3) the curtailment of morning or evening peak-load service for the purpose of eliminating short runs known as "trippers."

Because of the spread of consecutive hours necessary to adequately cover the morning and evening peak-load requirements on the road, it is impossible to combine all the trippers or extra services required at these times into so-called "split runs," (runs divided into two parts) and at the same time comply with the ten-hour restriction of the law. Thus, as Alternative No. 1, re-arrangement of the schedules will be required, with a resultant large number of short runs or "trippers" of from one to six hours, for which a full day's pay would result. This, according to Bureau estimates, would add about $221,413 a year to the operating cost of the system.

If these trippers or short runs are to be extended into full-time runs as the men desire, by the operation of cars during periods of the day when not required by traffic—merely to keep the men busy for eight hours regardless of traffic requirements—this, as Alternative No. 2, will add at least $499,212 per year to the cost of operation with only a fractional gain in operating revenues.

The third method of meeting the requirements of the law, by eliminating needed cars now used on "short runs" during morning and evening rush hours, would avoid the extra expense but would seriously cripple the service.

Financial Effect of Law

The income accounts of the Municipal Railway for the last two fiscal years ending June 30, 1923 and June 30, 1924 have been considered for the purpose of appraising the financial effect of the law. During the latter year the total operating expense increased from $2,340,356 to $2,547,754, an increase of $207,388. The largest increase, $151,505 for "conducting transportation," was due largely to conductors' and motormen's wage increases. Operating revenue increased $185,322; non-operating revenue decreased $37,252—a net revenue increase of $148,070. The final result was an actual cash deficit of $13,179 as compared with a surplus of $48,763 for the previous fiscal year.

If the amendment approved by the voters had been in effect during the last fiscal year, the actual cash deficit would have been $234,579 on the basis of eight hours pay for all short runs of less than eight hours work, or $512,391 (less a slight increase in revenues) if short runs were extended to full-time runs, to give all men continuous employment and eight hours pay regardless of the requirements of traffic.

The publicly-owned railway amortizes its bonded indebtedness, but does not pay taxes, both of which are the opposite of privately-owned utility practices. During the last fiscal year, the freedom from taxation offset the charge for bond redemption by $104,750 in favor of the Municipal Railway. If the additional cost is to be calculated, as on the basis of private-utility operation, this amount would be added to the estimated deficit.

Had Amendment No. 21 been in effect during the last fiscal year, the additional cost would probably have come out of the amount set aside as a reserve for depreciation; this amounted, net for the year, to $311,845. Had operating expenses increased by the larger amount, $499,212, this would have used up the entire amount that normally would go to the Depreciation Reserve; the balance could have come only from the previously-accumulated and already-depleted Depreciation Reserve (most of which has already been appropriated for extensions), or from the tax rate, or from additional revenues derived from an increase in fare.

Will Reduce Average Earnings

The over-time requirements of the present law will force the employment of extra men and thus reduce the work opportunities and the present average earnings of the men. A compilation of average monthly earnings of regular motormen and conductors based on twenty-five men selected at random each month for a period of three months, shows that conductors earned $154.32 and motormen $152.99. On the basis of eight hours per day, six days per week, the average monthly pay would have amounted to only $140.40. It is obvious that a large proportion of the platform men took advantage, voluntarily, of the opportunities for over-time offered at present. With the curtailment of these opportunities and consequent disadvantage to the men, it is possible that the law may not be put into effect immediately upon ratification by the legislature, although such suspension would probably be illegal under a strict interpretation of the law.

Legislation, such as the above, is a natural outgrowth of our system of managing publicly-owned utilities. No data were sought as to the real effect of the amendment before it was placed on the ballot. To partially offset this condition and place municipal operation, as mandated by the Charter, on the closest possible approximation to businesslike operation, control of present publicly-owned utilities and those to be acquired later must be vested in an appointive body, a utility commission, with ample powers. Such a commission, in the recent election, might have been able to

function by presenting adequate information when the amendment was proposed, or adequately informing the voters as to the effect of the amendment on which they were voting.

Important Municipal Events

SAN FRANCISCO-PENINSULA WATER DISTRICT: The Supervisors, November 10th, adopted a resolution requesting the Mayor and the Mayor's Citizens' Advisory Committee to confer with San Mateo and Santa Clara County officials as to their water needs and the advisability of the creation of a San Francisco-Peninsula water district, for joint use of Hetch Hetchy water. San Mateo County civic bodies have appointed a committee to co-operate.

SUNSET TRANSPORTATION: Ordinance outlining new assessment district for Mission-Sunset (Eureka) tunnel was finally passed by the Supervisors on November 17th; City Engineer was instructed to spread the assessments therein. This is the fourth district proposed for this purpose, and being not inclusive, has been stated as of doubtful legality. Supervisors appropriated $393,000 from Railway Depreciation Fund, and $200,000 from General Fund or County Road Fund (to be determined later) toward the cost of this tunnel. Consideration of the Duboce tunnel, abandoned in favor of the Mission-Sunset tunnel, will be before the Board again on December 1st. It is stated that protests against this tunnel, originally representing fifty-two per cent of the superficial area of the assessment district, have now been reduced to only thirty-five per cent.

OTHER SALARY INCREASES: Following the voting of an increase in salary to the policemen at the November 4th election, the Board of Police Commissioners has requested increases for hostlers in the Police Department from $1800 to $2040, and for telephone operators from $1680 to $1800 per year. These requests have been referred to the Finance Committee.

GARBAGE COLLECTION: An ordinance is now pending before the Health Committee of the Board of Supervisors providing for the awarding of an exclusive contract to an individual or corporation for the collection and disposal of all garbage in the city.

HETCH HETCHY POWER: The City Engineer recently announced that power from the Hetch Hetchy project will be ready for transmission on March 1, 1925. The program of the Supervisors provides for a bond issue for the acquisition or construction of a distribution system, to be proposed to the people upon the completion of the evaluation of the Pacific Gas & Electric and Great Western Power local distributing systems, now being made by the Railroad Commission, which will probably not be completed for several months. After hearings before the Railroad Commission to quash the evaluation proceedings, on the point that it was not legally

vested with jurisdiction therein, the Commission decided that it had such jurisdiction and denied the petition.

Analysis of Vote on Charter Amendments

Many interesting conclusions can be derived from a study of the vote cast on the various charter amendments. A detailed study of the incidence of the vote has not been attempted; the Registrar's comments, however, as published in the press, indicated in general that the various salary-increase amendments lost in the districts south of Market and uniformly carried in the districts north of Market.

Out of a total registration of 221,260, the total number voting, as per the unofficial returns, was 159,006. Of these, large numbers failed to vote on the various measures, ranging from 15,505 non-voters on the salary increase for the Police Department, down to 56,315 non-voters on the Labor Council's proposal that budget appropriations for personal service be itemized and expended only for that purpose.

Analysis of the accompanying table indicates that the number of those who failed to vote on the various amendments was sufficient to have changed the results on all measures, excepting Fire Department salaries, blanketing Sheriff's employees under civil service, increase in pensions for volunteer firemen, special tax for playgrounds, and the combining of bond elections with other elections. The highest total vote was registered on the police salary amendment; this amounted to approximately ninety per cent of those voting, or 143,501 of the 159,006 voters. The lowest vote was registered on the budget itemization measure, amounting to only sixty-four per cent, or 102,691 of the 159,006 voting. The votes on all measures, ranging between ninety per cent and sixty-four per cent of those voting, averaged seventy-five per cent, or 119,910 of the 159,006 who went to the polls to vote.

One of the oddities of the vote was the rejection of No. 31 and the adoption of No. 30 concerning salary increases for the Sheriff's and Auditor's attorneys respectively. Another circumstance difficult to appraise was the adoption of the de Young Memorial amendment by nearly 5,300 greater majority than the Spreckels Memorial amendment, despite a 5,500 smaller vote on the former. Another odd result, as shown by the accompanying table, was the approximately equal vote of the two measures affecting Municipal Railway employees, although these were not placed together on the ballot, and although one was short and simple in phraseology, while the other was lengthy and difficult to understand from a perusal of the amendment.

The analysis of the vote, as tabulated herewith, seems to indicate that in general the larger vote was attracted by those measures which

appealed to sentiment, and where questions to be settled involved matters of broad policy regardless of details; and that, on the other hand, measures involving little or no sentimental consideration, especially if complicated in either their context or the arguments for them, attracted a relatively lesser public interest and vote.

TOTAL VOTING AND NON-VOTING ON CHARTER AMENDMENTS

(159,006 Total Vote—221,260 Total Registration)

		VOTED	—LOST BY, OR MAJORITY	NON-VOTING
41	Police Salaries	143,501	4,157	15,505*
40	Fire Salaries	139,151	23,631	19,855
43	Repeal Cemetery Ordinances	135,128	7,002	23,878*
39	Fire Department Organization and Pensions	133,475	24,399	25,531*
36	Sheriff's Employees, Civil Service	129,920	33,490	29,086
38	Veteran Firemen Pensions	129,213	34,523	29,793
35	Mayor's Salary	127,982	—660	31,024*
31	Sheriff's Attorney, Salary	124,849	—1,931	34,157*
30	Auditor's Attorney, Salary	122,516	3,018	36,490*
42	Playground Tax	122,408	36,952	36,598
25	Judges' Salaries	120,910	—7,080	38,096*
37	Teachers' Pensions	119,692	29,858	39,314*
22	Fire Chiefs' Salaries	118,682	—12,514	40,324*
28	Spreckels Memorial	118,011	29,091	40,995*
19	Bond Elections	116,891	82,475	42,115
24	Municipal Railway, Civil Service Trials	115,546	21,946	43,460*
21	Municipal Railway, Operating Time	115,376	22,708	43,630*
23	Lease Sub-Park Areas	114,823	—20,435	44,183*
29	De Young Museum	112,583	34,387	46,423*
27	Salary Standardization	111,418	8,594	47,588*
34	Elective Officials' Salaries	110,578	698	48,428*
20	Debt Limit	105,619	—10,285	53,387*
32	Special Assessment Financing	103,774	10,296	55,232*
26	Supervisors' Powers	103,030	17,542	55,976*
33	Budget Itemization	102,691	9,575	56,315*

*Number of Non-voters sufficient to have changed the result.

The City

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The Bureau Attacked On Hetch Hetchy

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$348,400 Additional Cost If Request Granted
Is Railway to be Operated as Business Enterprise?
Original Success Leads to Fallacious Conclusions

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The Bureau Attacked On Hetch Hetchy

In an editorial of December 18th, under the heading of "Finding Facts For The Power Trust," the Daily News stated that the San Francisco Bureau of Governmental Research "poses" as an independent fact-finding organization. It referred to the affiliations of some of the Bureau's Trustees, and broadly implied that the Bureau was created by, and gets its support and "its instructions" from the power corporations, for the purpose of influencing Hetch Hetchy power policies.

The statement and implications are, of course, untrue. They could not have been made had known facts relative to the Bureau's inception and its operations been considered, or had the paper taken the trouble to ascertain these facts.

The Bureau was organized in 1916 as the result of studies and surveys made by the San Francisco Real Estate Board in that Board's efforts to determine if the steadily-mounting tax rate was or was not justified. It is supported by several hundred local taxpayers, which number is steadily increasing. The Bureau, in fulfilling its function as an *independent impartial citizens' agency,* has undertaken several hundred studies of all kinds of municipal operations and questions. Utility questions have neither been favored nor slighted in this program of Bureau activities.

The editorial erroneously stated that the Bureau of Governmental Research "has consistently urged the people to sell their Hetch Hetchy power crop to the Trust." The Bureau *consistently urged* the Supervisors to secure *all necessary facts* before committing the city to any policy, so that they would know the best policy for the citizens and the city. Following the precipitate adoption of a municipal-distribution policy on September 11, 1923, and the Supervisorial water and power controversy of January, 1924, when it became apparent that the Supervisors would not take up the matter

on the basis of detailed facts, the Bureau, in March, 1924, reviewed the whole Hetch Hetchy matter and on the basis of stated facts, which the paper has not attempted to controvert, pointed out that the temporary disposal of the power through existing agencies was the only sound and businesslike course.

In this matter, as in the hundreds of others on which the Bureau has functioned, its recommendation was based on stated facts, and the proper interests of the citizens, the taxpayers, and the city. The Bureau has never recommended on any matter on either a pro- or anti-municipal ownership basis. In utility matters, the Bureau operates on the basis of costs, service and rates, regardless of ownership. The Bureau is of the opinion that any taxpayers' investment of tens of millions of dollars, whether for power or any other purpose, must rest on facts and not on phrases.

As the Bureau has never made a recommendation or determined on a policy until *all of the facts* have been collected and reported to the Board of Trustees by the Director and staff, the affiliations of Bureau Trustees, to which the article referred, cannot have, and have not had, any reflection in any Bureau action. The reference was apparently intended to center attention on prejudices rather than on *facts*.

The Bureau, as an *independent fact-finding citizens' agency*, used its best efforts to have all of the facts in the Hetch Hetchy power matter fully developed before official action was taken. If these had been developed, and if, on the basis thereof, it could be proved that municipal power distribution could save the millions that the Daily News contends, the Bureau, as a fact-finding agency, would be in support of the proposal. Needless to say, the Bureau does not and will not arbitrarily support a power policy in the interest of any corporation or group, any more than it would arbitrarily support a municipal-distribution proposal in the interest of any newspaper.

Why A Laborer's Wage of $6.00?

The requested wage increase for laborers, which has been approved by the Finance Committee, will probably have a much more costly effect on the city's wage bill than has been made apparent. Last October the laborers' union filed a petition requesting an increase from the present $5.50 to $6.00 per day. This was considered as animated, in part at least, by the many charter amendments involving salary increases which the Supervisors, on September 18th and 22nd, had ordered placed on the ballot. The laborers' petition was referred to the Finance Committee. Although no public hearings have been held on this, the Finance Committee, on December 22nd, notified the Board of Supervisors, that the Finance Committee's favorable recommendation on the petition would be brought before the Board at its next meeting; this, however, did not come up on December 29th.

The increase directly involved, on the basis of nearly five hundred laborers in the city's service, will amount to $73,200 a year. Other increases indirectly involved will amount to $436,305. Municipal Railway car men,

now paid 67½c per hour, have a request before the Public Utilities Committee for an increase to 80c per hour, or from $5.40 to $6.40 per eight-hour day, as well as a 44-hour week. These are based in part on the wage paid for common labor, and if granted, will mean an increase of $348,405 a year. There are, in addition, 526 other per diem employees and 60 teamsters whose wages are based, wholly or partially, on the rate for common labor; these, if eligible for a similar increase of 50c per day, will involve an additional increased cost of $87,900. The direct and indirect increases involved total $509,505.

The City's salary and wage-fixing procedure has frequently been criticized as inexpert, unscientific and inequitable. To solve the obvious shortcomings and the resulting inequalities, a charter amendment was proposed at the November election, which was approved by the electorate. In time, under the provisions of this amendment, scientific procedure will be developed to adequately and equitably meet a situation such as now confronts the city. The present proposal is a typical case in point of the need for correction.

Obviously, the request to increase the base rate for per diem service, with an inevitable effect on a requested increase for Municipal Railway employees, and on most of the other per diem rates paid by the city, should have been considered, not alone and as a thing apart, but in its relation to the other request and to all other groups that it might effect. This was not done, nor was any public hearing held on the specific increase requested. The claims of the laborers as to real or fancied reasons for the requested increase are unknown. Obviously, any such increase should rest on sound economic grounds or comparisons with other compensations, and not alone on the request of those who would be beneficiaries.

The cost of living has remained at practically the same level, and shows a slight decrease for the past year. The rate for excavating laborers in the building trades in the city is fixed at $4.50 per day and for other laborers at $5.00 per day.

The rate for laborers now paid by the city, $5.50 per day, is 10% in excess of the rate fixed for skilled labor in private employment. In addition, laborers in the city service are assured of practically continuous employment as against frequent intermittent employment on the outside. They are granted Saturday half-holidays and two weeks' vacation a year with pay and more holidays with pay than are recognized in private employment, with the net effect that the actual rate of $5.50 per day is increased, by taking account of the time off with pay, to approximately $6.55 per day as compared with the $5.00 rate in outside employment.

The increase if warranted should be supported by facts and reasons therefor. Considering its direct cost, equivalent to over 1c on the tax rate, and the $436,000 of indirect cost that it involves—considering also the high rate now paid to the men in comparison with the local rate outside of the

city service—any offhand approval of the proposal for an increase will not look promising for the taxpayers who are to foot the bill.

The Recent Hetch Hetchy Financial Problem

The so-called Hetch Hetchy financial problem which was brought to public notice on November 14th, and which was discussed pro and con in the press for a month, was settled by shutting down part of the work for two weeks, and by the Finance Committee arranging for a loan or a credit of $1,000,000 from the Spring Valley Water Company. The Bureau of Governmental Research did not consider that this was the "financial problem" that it was characterized. By representation and communication to the Finance Committee and the Board of Supervisors, the Bureau endeavored to secure serious consideration by those bodies of the desirability and the economy of using $1,057,000 available in and belonging to the Hetch Hetchy construction fund, for carrying on Hetch Hetchy construction work. That the work was shut down and a loan or credit of $1,000,000 was secured from outside sources, while these funds were not used nor even seriously considered, is a subject that may be fruitful of future comment.

The securing of the advance of $1,000,000 will entail additional costs to the taxpayers and did not seem to be required to finance the project. The additional costs will be made up of interest charges on the loan—assuming that it was needed as claimed, and is to be used, these will approximate $125,000. There will also be the addition of $250,000 a year for four years to the tax burden. This latter sum, equivalent to 3½c on the annual tax rate, represents debt charges on Hetch Hetchy Bay Division expenditures, which will have to be funded by the tax rate, but which were to have been carried by the annual payments from the Spring Valley Water Company, which are now to be diverted to construction.

The deficit in the Hetch Hetchy bond fund was estimated by the Engineer as $825,000, or $975,000 if $150,000 was allowed for contingencies. This could have been and still can be covered out of over $1,800,000 of cash and assets available therefor.

$1,057,000 Available for Construction

There was, and is, available for financing the deficit, $660,000 in the Hetch Hetchy Operative Revenue Fund, plus $217,000 set aside to cover options on materials for the Newark-San Francisco transmission line, which can be turned back to the construction fund. There is also $180,000 due in January, 1925, from the Turlock-Modesto Irrigation District for water delivered last summer. These three items total $1,057,000, or from $82,000 to $232,000 in excess of the estimated deficit to be financed. On November 14th, when the controversy started, there was an additional $620,000 in the Operative Revenue Fund, which on the recommendation of the Finance Committee at the next succeeding meeting of the Board of Supervisors, was transferred to meet interest charges.

Under the Charter, supplemented by a City Attorney's opinion in the case of Municipal Railway revenues, the first duty of Hetch Hetchy Operative Revenue Funds is to reimburse the Hetch Hetchy Bond Fund, out of which all of the Hetch Hetchy operating expenses which produced the revenue were paid. As far as is known the Finance Committee has never secured a legal opinion in support of the use of this fund for interest payments. The Supervisors have never appropriated funds for the Newark-San Francisco transmission line, and should not until the people have spoken on the power question; the $217,000 tied up in options (not contracts) on this extra and unnecessary work should, therefore, have been re-appropriated to carry on the primary construction which it was deemed necessary to shut down.

At the present time, there is, in addition to the $1,057,000 above referred to, $129,000 worth of equipment no longer needed on the Mountain Division and which is available for immediate sale, also $593,000 of equipment available for sale or transfer to the Foothill Division.

The Bureau, therefore, saw no necessity for the borrowing of the $1,000,000 with an attendant additional cost equal to about four cents a year on the tax rate for the next four years. The Bureau urged that the $825,000 to $975,000 needed to make up the deficit in the Hetch Hetchy Bond Fund be supplied from funds then and now available, which, as stated above, amount to a minimum of $1,057,000. With the loan negotiated for the purpose of carrying on construction work, it will be of interest to note what disposition is to be made of this $1,057,000, which (as far as official plans have heretofore been disclosed) will become "surplus."

Surplus Revenues of the Finance Committee

The recent public developments relative to Finance Committee appropriations of School and Hetch Hetchy funds for interest payments raise certain fundamental questions, namely: (1) Are these transfers legal? (2) What is the total amount of revenue, in excess of budget requirements, that the Finance Committee will have for unbudgeted appropriations during the current fiscal year? (3) Why was the contemplated use of these funds and their amounts not declared when the budget was made or the tax rate fixed? (4) Are not such financial transactions matters of public concern, rather than the confidential concern of committees? (5) Should not such matters be governed by the provisions of the Charter?

The May and July issues of THE CITY, in discussing the 1924-25 budget, and how this was to be financed, stated, "Consideration of the budget is confused this year, as in past years, by the absence in the Finance Committee's report of any estimate of expected revenues." The Bureau's analysis showed that the total of the budget as passed, $27,185,336, was at least $1,220,000 short of the amount required for budgeted items, plus debt charges; the latter were not provided for in full, although the Charter requires that debt charges shall always be funded by taxation. It was

estimated that nearly $650,000 of this shortage would be made up by State refunds, by revenues from the re-investment of idle bond funds, and by Spring Valley payments applicable against debt charges. It was further estimated that, if legal, it was the Finance Committee's intention to take $452,000 from the Hetch Hetchy Operative Revenue Fund to apply against debt charges to make up the shortage.

On November 17th, at the start of the Hetch Hetchy controversy, the Supervisors, on the urgent recommendation of the Finance Committee Chairman, appropriated $620,000 from the Hetch Hetchy Operative Revenue Fund and applied this to meet interest charges on the city's outstanding debt. On December 8th, the President of the Board of Education in a communication to the Finance Committee Chairman requested that $196,063, the amount of premium on the $5,000,000 of school bonds sold March 24th, be returned to the school fund under the provisions of the Charter. The Chairman of the Finance Committee stated that this premium had been diverted to meet interest charges, and would be returned to the School Fund by a budget appropriation next year. The Charter states, however, "The proceeds of any sale of bonds shall be placed in the treasury to the credit of the proper fund and shall be applied exclusively to the purposes and objects mentioned in the ordinance authorizing their issue until such objects are fully accomplished; after which if any surplus remains such surplus may be transferred to the general fund."

Accounting of Surpluses Could Have Reduced Tax Rate

It is claimed that a premium of $91,371 on the sale of $1,900,000 of Relief Home bonds sold August 18, 1924, has been diverted in the same manner. These three items total $907,000. Deducting the $452,000 which the Bureau estimated would be required, in addition to revenues from known sources, to fund the authorized budget plus debt charges, there is an apparent minimum surplus of $455,000 over the amount required to fund the budget and meet debt charges.

Inasmuch as the Bureau estimates allowed $150,000 as a leeway or reserve for emergencies, and estimated the items of miscellaneous revenues very conservatively, the Finance Committee by the unannounced and perhaps illegal use of the $907,000 referred to above, will have a clear surplus of more than $600,000 over the revenues required to fund the budget as presented by the Finance Committee and adopted by the Board of Supervisors. This will no doubt be entirely expended, as in past years, in accordance with the precedent established to avoid a surplus at the end of the year, which could be taken for the payment of tax judgments.

This unencumbered unbudgeted surplus is equivalent to nine cents or perhaps more on the tax rate. The Bureau in the July CITY stated, "The necessity of the involved research and the unofficial compilation of estimates on items and amounts incidental to the tax rate and expenditure program—data that should be officially prepared and publicly stated—

emphasizes the need for an improvement in the city's budget procedure." It was also stated, "Although it is within the power of the Finance Committee to prepare such estimates * * * it is probable that revenue estimates as a part of the budget will not be secured until by charter amendment they are specifically required."

Details of the source and amount of revenues to finance the budget have consistently been withheld by the Finance Committee. These matters obviously are of public concern, and do not constitute private or privileged information to be available only to the Chairman or the members of the Finance Committee. Such "executive" unpublished estimates have, for the last six years, annually produced unbudgeted revenues considerably in excess of those required to fund the annual budgets.

A large fund available to cover deficits or from which new appropriations can be made is a desirable asset. The official or body to whom the details of such excess revenues are solely known has autocratic power and potential political prestige incidental to the denial of additional appropriations or the distribution of improvements, salary increases and supplemental appropriations.

This is an unbusinesslike and irresponsible situation which the Bureau has consistently criticized. Having been brought to the fore so strikingly by recent events, it is to be hoped that forceful cognizance of the situation will be taken, prior to the preparation of the next budget, for the purpose of insisting that the city's budget for the next and each succeeding year will be made complete, and that this shall include a statement of *all* expenditures—whether from tax or miscellaneous revenue or bond funds—and of all receipts (itemized in detail) accruing to the benefit of the city, for formal appropriation by the Board of Supervisors, which body, under the Charter, is charged with responsibility.

Recent Important Municipal Events

MUNICIPAL RAILWAY EXTENSIONS: Petition to Supervisors to provide Municipal Railway extension of one and one-half miles on 48th Avenue to connect present municipal line with the Ocean Beach playground at Sloat Boulevard; referred to Utilities Committee * * * Supervisors postponed to January 12, 1925, a resolution to rescind all proceedings heretofore taken on proposed Duboce Avenue tunnel.

STREET LIGHTING: Report filed on investigation of special standards ordered for Civic Center by Supervisors' Lighting Committee is to the effect that city was over-charged $1,500 for these. The controversy developed by this matter and subsequent Lighting Committee proposals, has resulted in reiteration of City Attorney's opinion that control of street lighting is, by Charter, delegated to Board of Public Works rather than the Supervisors. Proposal made that a lighting expert be employed to represent the city's interest in the matter of rates fixed for annual street lighting contracts.

GARBAGE COLLECTION: Public Utilities Committee has undertaken the investigation and study of garbage collection and disposal conditions, for the purpose of reporting as to the advisability of municipal collection and disposal.

VAN NESS AVENUE EXTENSION: Supervisors December 22nd ordered condemnation of land necessary for extension of Van Ness Avenue from Market to Mission; cost of land, $326,000 to be paid by city in three annual installments; property owners to defray cost of street work. This apparently more costly to city than original proposal, under which city and property owners were to share equally in total cost, originally estimated as $750,000.

HETCH HETCHY POWER: City Efficiency League, Adolph Uhl, Manager, on December 22nd, proposed to Supervisors that Hetch Hetchy power distributing system and adequate street lighting system be constructed or acquired from proceeds of sale of Hetch Hetchy power to existing utility companies.

MARKET STREET RAILWAY PURCHASE: Special Market Street Railway Purchase Committee, Supervisor McGregor, Chairman, is reported as having developed plans and estimates for the purchase of the Railway on the pay-as-you-go-plan. Tentative price to be offered by city has not been stated. Consideration of report to be postponed until the return of the Mayor. Press states that pending request of Municipal Railway platform men for increased wage will require postponement of negotiations, and, if granted, recalculation of estimates.

Effect of Municipal Railway Wage Increase

Additional trouble may be in store for the Municipal Railway as the result of a petition filed with the Public Utilities Committee of the Board of Supervisors by Municipal Railway platform employees requesting that their compensation be increased from the present 67½c to 80c per hour, and that they be granted a 44-hour week "as enjoyed by other city employees"—48 hours pay for 44 hours work. If the request is granted, $348,405 will be added to the cost of conducting Municipal Railway transportation. Considered as an addition to the financial effect of Charter Amendment No. 21, which involves a minimum additional cost of $200,500 per year, the effect of any wage increase granted to employees may be calamitous as far as Municipal Railway finances are concerned.

The effect of Charter Amendment No. 21 was discussed in the November issue of THE CITY. Briefly, this fixes eight hours as the basic working time, such time to be completed within ten consecutive hours; it requires that one day of rest be allowed in each seven days, and that all labor in excess of eight hours daily or six days per week be paid for, as overtime, at the rate of time and one-half. This is construed to require eight hours pay for any time worked up to eight hours; or the additional operation of

cars so that eight hours within ten consecutive hours may be worked by all employees; or the curtailment of peak-load service to restrict the working hours of the men, whatever these may be, to within ten consecutive hours. The least costly method of meeting this situation—artificial and hitherto unknown from a street railway operating standpoint—is to rearrange schedules with, inevitably, a number of "trippers" or short runs of from one to six hours for which a full day's pay must be figured. This will add $200,500 a year to the operating cost of the system without producing any additional revenue.

One of the effects of the amendment, which was apparently unforeseen by its proponents, will be to reduce the average earnings of the men. Under the present system the men are allowed to select their runs in the order of seniority of service; under such selective system, runs are chosen that will net overtime and thus increase monthly earnings. Under the system enforced by Charter Amendment No. 21, operating officials will be forced to avoid overtime, which will add 50% to the cost, and will be unable to work any man beyond a period covered by ten consecutive hours. The practical application of the amendment, therefore, will force the employment of extra men, at straight time, to obviate overtime cost and to comply with the law. The request for increased pay may have grown out of a realization by the men of this effect that the amendment will have of diminishing their monthly earnings, by restricting their working time.

$348,400 Additional Cost if Request Granted

The request for increased pay, if granted, will add nearly 30% to the Municipal Railway wage bill for platform service. The pay increase of from 67½c to 80c per hour will add about 18.5% or $230,800. The provision for 48 hours pay for 44 hours of work will add about 11.5% or $117,600. The two items total $348,400 or nearly 11% of last year's total passenger revenue. With the $200,500 additional cost that will result from operating conditions imposed by Charter Amendment No. 21, the revenues of the road will probably not be sufficient to carry any part of the $200,000 annual redemption of railway bonds and only a part of the $190,000 annual interest charges.

The year 1925 may be considered as a "political" year, with nine Supervisors coming up for re-election. It is under such circumstances that requests for preferment, whether for compensations or improvements, are most difficult to deny by elective officials. The effect of the granting of the request, however, can be appreciated by considering the results in relation to Railway finances of the last fiscal year.

Had Charter Amendment No. 21 and the 80c wage scale been in effect during the last fiscal year the revenues of the road would have fallen about $250,000 short of meeting the debt charges of $400,000, and not a cent would have been available for depreciation purposes, the actual requirements of which are estimated at about $280,000 a year. The accompanying table shows, in the first column, the 1923-24 financial statement as com-

piled by the Bureau from Board of Public Works' monthly statements, and in the second column the effect that the increased wage rate, $347,405, and the increased cost of "eight hours in ten," $200,500, would have had, had these been in effect during 1923-24. The result is a preposterous "operating ratio" of 96.7%. Figures representing "deficits" are shown in brackets.

	ACTUAL 1923-24	1923-24 Under Char. Amend. No. 21 & 80c Rate
Operating Revenue	$3,198,874	$3,198,874
Operating Expense	2,547,754 (79.6%)	3,095,659 (96.7%)
Net Operating Revenue	651,120	103,215
Depreciation Reserve Net	311,845	Nothing
Operating Income	339,275	.....
Add, Non-Operating Income	43,758	43,758
Gross Income	383,033	146,973
Interest	196,212	196,212
Surplus	186,821	(49,239)
Redemption of Debt	200,000	200,000
Actual Deficit	(13,179)	(249,239)
Taxes, Not Paid	304,750	304,750
Theoretical Deficit	(317,929)	(553,989)

Such a shortage could have been made up only by transfers from the depleted Depreciation Reserve, to the future detriment of the road, or by a subsidy from taxation, or by increasing the fare.

Is Railway to be Operated as Business Enterprise?

The situation brings prominently to the fore this question: Is San Francisco's venture into the municipal ownership field, as exemplified by the Municipal Railway, principally for the benefit of the large group of public employees that it has created, or is it a businesslike venture into the utility field for the purpose of improving rates or service to the people?

As city employees the men of the Municipal Railway believe that they are entitled to every advantage enjoyed by any other group of city employees. They have witnessed the liberality of the people, when, at the last election, they voted nearly $1,500,000 of additional costs, principally for salary increases. They compare their wages of $5.40 per day for a semi-skilled occupation involving the safety of human lives, to the city's wage for common labor of $5.50 per day. They note the proposal of the Finance Committee that this wage for common labor be increased to $6.00 per day. As organized public employees they have learned the effect of their strength of numbers on public officials and on public opinion.

And yet, no street railway in any large city in the country had as favorable working conditions as were maintained on the Municipal Railway, even prior to the unbusinesslike extension of these by the adoption of

Charter Amendment No. 21. Only two of the street railways in the country are paying a wage as high as the 67½c per hour rate now enjoyed by the Municipal Railway car men which, it should be emphasized, is paid from the beginning of employment and not, as is usually the case, only after several years of service. The Market Street Railway Company in San Francisco has a wage scale for platform men ranging from 42c per hour at the start up to 52c after three years of service with a 12½ hour maximum range or spread of working hours. The East Bay Key Route system pays 46c per hour for the first three months, 49c per hour for the next nine months, and 53c per hour thereafter, with a maximum spread of working time of fifteen consecutive hours.

Original Success Leads to Fallacious Conclusions

The Municipal Railway has had the experience, which now seems to be working toward its downfall, of originally going into developed territory and making money, and then throwing transit lines into the growing Richmond District and into the tunnel-connected Twin Peaks district and making more money. It has been publicly characterized as a "gold mine." It has apparently come to be considered as an inexhaustible resource capable of meeting any demands. All of the early profits have been spent, however, and, from the net income standpoint, the road is on the down grade.

In THE CITY of March, 1923, in analyzing the Municipal Railway income account for the previous fiscal year, the Bureau stated, "The financial statements indicate that the property to date has been a successful enterprise, has supplied needed service and has accumulated large surpluses. This has been done on a five cent fare in spite of the fact that fares in almost every other large city have had to be increased. The Municipal Railway project must be considered as an extra governmental service that must stand by itself without subsidy from taxpayers. Its important financial problems lie in the future. The present, only ten years ago from the first small and highly successful beginning, is still too early to consider that the problem is solved."

The experience that San Francisco has been observing for the last three years in the legislative attempt to build extensions by wiping out the Depreciation Reserve and creating deficits; the experience in 1923, just prior to the mayoralty election, when the men were able to enforce demands for wage increases; the experience at the last election when the men were able to secure assent of the people to a law, simple in its context but technical in its application and seriously affecting the technical operating details of the road; and the experience the city is now confronted with relative to demands for wage increase without regard to the financial condition of the Railway to meet these—all of these should furnish food for careful thought as to the probable future that is in store for the Municipal Railway, and whether these events do not indicate what San Francisco may reasonably count upon if it embarks on other ventures into the utility field.

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Hetch Hetchy Power Again to the Fore

The Hetch Hetchy power problem has again been brought to the fore by a resolution asking that the city's power policy be declared, and by a resolution of the Board of Supervisors requesting the Board of Public Works to exercise an option, involving $217,000 for transmission-line towers and insulators, for continuing the transmission line from Newark into San Francisco. This order brought protests from the Bureau and various civic organizations. Its execution, it is believed, would constitute a wasteful and illegal use of Hetch Hetchy water bond funds, and would tend to commit the people, in advance of a vote, to municipal power distribution.

A proper appreciation of the situation requires a brief consideration of previous events. The policy of municipal distribution of Hetch Hetchy power was declared by the Supervisors' resolution of September 11th, 1923. In accordance with this resolution an Advisory Committee was appointed. The Advisory Committee recommended that the city apply to the State Railroad Commission for an evaluation of those portions of the privately-owned local distributing systems considered useful for municipal distribution. Proponents of municipal power distribution, in urging the evaluation proceedings, estimated that these could be completed in time for submission of a bond issue to the people in the fall of 1924. Later, the estimate was advanced to early in 1925. A recent report to the Board of Supervisors indicates that such a bond election can not be held for another year, or more.

Postponement of Power Bond Election

It was reported, early in 1924, that as a result of informal conferences between the Mayor, Supervisors, City Engineer and Advisory Committee, the then-proposed Hetch Hetchy water bond issue would be reduced from

$33,000,000 to $25,000,000, leaving for future financing the San Joaquin Valley pipe line. Agitation to combine the water and power bond issues into a single proposal to the voters failed without this question coming officially before the Board of Supervisors.

On June 20, 1924, the City Engineer's report to the Board of Supervisors estimated $25,000,000 as the amount required for Hetch Hetchy water construction. An accompanying report estimated $45,000,000 as the cost of a new municipal power distribution system, $15,000,000 as the cost of a skeleton system to supply Municipal Railway and public power and lighting requirements, and $33,500,000 as reproduction cost without depreciation or severance damages, for those portions of the two privately-owned systems designated by the city as useful for municipal distribution.

The Public Utilities Committee in a report to the Board of Supervisors dated July 28, 1924, criticized the City Engineer's power distribution estimates, and recommended that any power bond issue be postponed until the State Railroad Commission's valuation figures were available—stated as on or about March 7, 1925, "and a bond election should follow immediately." The report further recommended a water bond issue of only $8,000,000, the postponement of additional water bond issues for about two years, and the submission to the people of a charter amendment to raise the city's debt limit from 15 per cent to 20 per cent of assessed valuation.

Necessity for a Power Disposal Policy

The water bond issue, increased to $10,000,000 by the Supervisors on the recommendation of the City Engineer, was voted by the people on October 7, 1924. The charter amendment to increase the debt limit from 15 per cent to 20 per cent of assessed valuation was defeated by the people on November 4th; only 66 per cent of those going to the polls voted on the amendment, and of these 55 per cent voted negatively and only 45 per cent affirmatively. The Railroad Commission's valuation proceedings are only 55 per cent completed; the Supervisors were informed on January 5th that these will not be completed for another six months, and that a power bond election probably cannot be held for at least a year. (The period that must elapse before the city can take possession, even should the people by a two-thirds vote authorize a power bond issue, may extend for years beyond the date of the bond election.) The date of power delivery has been postponed from January 1, 1925 to April 1, 1925, as is now estimated.

On January 5, 1925, the Colman resolution was introduced calling for an investigation and conclusions on the disposal of Hetch Hetchy power during the interim that must elapse between the time (April 1, 1925) that the power would be available, and the time that the city could finance and acquire municipal distribution facilities. After discussion this resolution was referred to the joint Finance and Public Utilities Committees. A

hearing on this resolution was finally scheduled for Friday, January 23rd; other matters were permitted to take up most of the afternoon, resulting in the postponement to January 30th of consideration of the resolution.

Transmission Line to San Francisco Urged

On January 14th, one week following the introduction of the Colman resolution, the Chairman of the Utilities Committee introduced a resolution calling on the Board of Public Works to exercise an option on transmission line towers and insulators, involving the expenditure of $217,000, which sum had been set aside for this purpose out of Hetch Hetchy water bond funds over a year ago. The whole cost of the transmission line from Newark to San Francisco which would be involved by this expenditure is $800,000. Of this, $140,000 of wire is on hand, $217,000 is involved in the option referred to, and $443,000 of additional money would have to be provided. The line would end "in the air" unless provision should be made for a step-down station; this, it is estimated, would cost an additional $800,000. Large as these expenditures would be, they would not distribute Hetch Hetchy power without the expenditure of additional millions.

After lengthy discussion the resolution involving the immediate expenditure of $217,000 was passed by unanimous vote, principally on the claim that it was simply a reiteration of policies in the resolutions passed by the Board of Supervisors on September 11th and October 8th, 1923, which resolutions directed the City Engineer to bring the transmission line into San Francisco. The stated purpose of the expenditure was that it would give the city more competition in distributing Hetch Hetchy power.

The action was protested by the Bureau and other organizations. The Bureau's protest was based on the facts: That the Supervisors had no information that the extension of the line to San Francisco would produce more revenue from power disposal; that the power in San Francisco might actually be worth less than if delivered at Newark; that to secure additional competition would involve the construction of a transmission line to Oakland; that the construction ordered would involve a total cost of $800,000; that the initial $217,000 investment would be useless without the expenditure of additional millions; that the ordering of additional construction in a period of admitted Hetch Hetchy financial difficulties was unwise; that if the city took over the P. G. & E. local system the expenditure for a Newark-San Francisco transmission line would be wasted; that if the city did not take over the P. G. & E. local system the heavy expenditure for the Newark-San Francisco transmission line would be non-productive without the expenditure of additional millions; and that the people should not be committed by any such expenditure to power-distribution construction in advance of their vote on this question.

The several protests were referred to the joint Finance and Public Utilities Committee as part of the power distribution matter. As stated,

hearings on this were set for January 23rd, but on that date were postponed to January 30th. It is not improbable that court proceedings will be taken to restrain action, if the city actually intends to go ahead with what is apparently a premature, ill-considered and wasteful expenditure.

The Need For Improved Budget Procedure

San Francisco needs an improved budget procedure, under which: (1) *All* proposed expenditures would be considered and passed upon; (2) *all* revenues would be enumerated and appropriated; (3) the time and method of securing, and the amount of *all* special income (such as from bond sales, etc.) would be determined and specified; and (4) the annual appropriation program would be administered to restrict expenditures to the budget, except in case of emergencies or unforeseen contingencies.

Such a "complete budget" would have forestalled and prevented the recent disturbing controversy over Hetch Hetchy construction and finances. Under such a system, outstanding tax judgments which still total nearly $1,000,000, could have been wiped out without increase of tax rate and hundreds of thousands could probably have been saved out of the $2,000,000 of unbudgeted surplus revenues of the last six years. The city would have benefited in other ways by setting out, each year, its complete annual program and then operating within that program.

It must be emphasized that a complete budget means the budgeting of *all* revenues and *all* expenditures, and a businesslike adherence to the annual financial program thus established. It does not mean, as has been casually remarked, a "budgeting of dimes." It is just as impracticable and impossible for the city, spending about $45,000,000 a year, to foresee and budget in detail every required expenditure for a year in advance, as it is for any business or household.

Expenditures $45,000,000—Budget $27,000,000

It is, however, both practicable and possible for the city to budget *all* of its $45,000,000 of expenditures instead of only $27,000,000 of these, or 60 per cent of its financial program. It is both practicable and possible, and in addition highly desirable, for the city to budget all of its revenues and income, instead of only about $23,300,000 of tax revenues and about $3,500,000 of miscellaneous revenues.

Business prudence should force the Supervisors to require, in addition, the budgeting of *all* miscellaneous revenues and income—over $5,500,000 instead of $3,500,000; the $650,000 of county road fund moneys; the $3,200,000 of Municipal Railway revenues; the $1,500,000 or more planned to be appropriated from the Railway Depreciation Reserve for extensions and betterments; and the $12,000,000 or more to be expended from Hetch Hetchy, School and Relief Home bond funds.

By such budgeting of proposed expenditures and the means of financing

these, it is obvious that the sudden discovery of a shortage in the Hetch Hetchy Contruction Fund, which occurred last November, would have been obviated, and the shut-down, controversies between officials, and undesirable publicity growing therefrom would have been avoided. Lacking such budgeting, the city's surplus revenues, amounting to $2,000,000 in the last six fiscal years, have been informally disbursed for piecemeal appropriations—expenditures honestly made and for worthy purposes, no doubt, but for large and small items that have not stood the test of comparison with all other necessary requirements, such as is developed to some extent by Supervisorial consideration of all requests at the passage of the annual budget.

By such complete budgeting, and businesslike adherence to the annual programs so established, surplus revenues and unexpended appropriations, could have been largely conserved. If applied to the payment of tax judgments these would have been wiped out long ago and the city's financial procedure would have been materially improved. The policy of avoiding the payment of tax judgments, however, led to the policy of expenditure of all funds that promised to become surplus. To avoid judgments originally totaling $1,251,000, surplus unbudgeted revenues of $2,000,000 have been expended during the last six years; unexpended appropriations re-appropriated for other purposes will increase this amount.

A Budget Should Promote Economy in Expenditures

It can be argued that every dollar has been properly expended and for a desirable purpose. The fact that a project or purpose is desirable, however, is not sufficient justification for public expenditures; on this basis there would be scarcely any limit. Public expenditures, especially in these days of high tax burdens, must be based on relative needs. When an annual budget, liberal in its appropriation for public improvements and betterments, is formally considered and passed, there can be little justification for additional appropriations unless these are to correct gross errors, or to meet emergencies.

Published analyses of public expenditures indicate that the national budget and per capita costs are being steadily reduced, but that budgets and per capita costs for state and city expenditures are still increasing. In San Francisco our major financial effort seems to have been centered on maintaining the $3.47 tax rate. That this, in itself, is no index of economy is evidenced by the fact, that with practically no reduction in war-inflated costs except for materials purchased, the city has increased its expenditures by over $2,700,000 or over 11 per cent during the four-year period of the $3.47 tax rate.

The Finance Committee is soon to call upon the various departments for their budget estimates for the fiscal year 1925-26. The official request should require the information for a "complete budget"—estimated ex-

penditures from *all* funds, and estimated revenues and income from *all* sources. On such a basis the Finance Committee can then propose to the Board of Supervisors a modern and complete budget that will show the city's *total* expenditure program, and how this is to be financed. In such a course San Francisco will be following the lead of Detroit, and other progressive large cities, and, with a policy of living within the budget as adopted, city officials can use the budget as an instrument of economy.

Pension Charges No Basis For Salary Increases

In efforts by various groups at the City Hall to secure wage or salary increases, the argument is frequently made that the per diem or monthly rate should be increased to offset the deduction made from employees' earnings and paid into the Employees' Retirement Fund.

Under Article XVII of the Charter, adopted as an amendment by the people in 1920, which authorized the creation of the Employees' Retirement System, employees' contributions cannot exceed 5 per cent of their earnings, except for employees of 50 years of age or over, who may be required to contribute not to exceed 10 per cent. The average employees' contribution, for 4,146 employees covered by the Retirement System, amounts to $6.52 per month.

The employees' payments are not permanently taken. They constitute compulsory insurance payments. These are returned to the employee, with interest, if and when he leaves the service. In the event of death, these contributions are paid to the beneficiaries of the employees, with additional death benefits paid by the city. In the event of retirement, the employee's contributions are returned in the form of a retirement allowance, plus an equal contribution by the city, and plus an additional contribution by the city to cover the employee's "prior service"—service prior to the establishment of the pension system.

The average cost of the retirement system to the city per employee is about $104 per year. This sum will increase slightly, inasmuch as the city is not creating annual reserves to meet the "prior service" obligation which is imposed entirely on the city by the charter amendment.

Instead of the employees' pension contributions constituting an argument for increased compensation, a more proper and equitable understanding would consider that the city's contributions for retirement allowances in an employee's behalf, is, in effect, equivalent to an average increased compensation of about nine dollars per employee month. The cost of the pension system, to the extent of its value to employees and its cost to the city, is an argument against, not an argument for, increased compensations.

Van Ness Avenue Extention

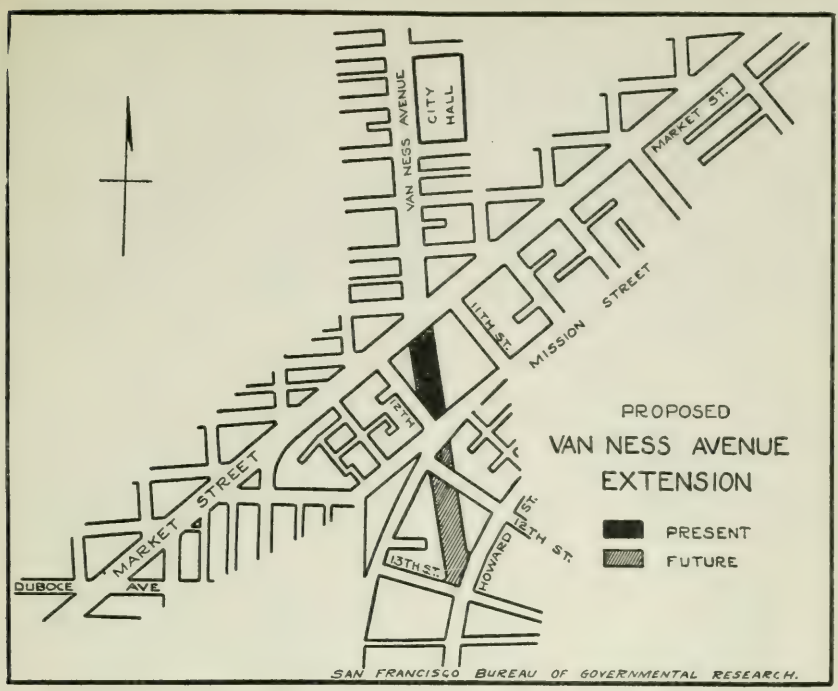
The recent agreement under which the city will pay the greater portion of the cost of extending Van Ness Avenue from Market to Mission Streets, is the result of two years of negotiation by the Board of Supervisors and interested property owners. It involves the purchase by the city, over a period of three years, of three parcels of land at a total cost of $326,277. The expense of street work and grading for the block, amounting to approximately $40,000, will be borne by the fronting property owners. The city will incur an additional expense of $4,000 in moving the monument now located at Market and Van Ness Avenue, which will bring the total cost to the city under this plan to approximately $330,000, as compared with a cost to fronting property owners of $40,000.

This land purchase is the first step in the ultimate development of a wide cross-town traffic artery, with the additional advantage of creating a wide fire break. To complete the project it will be necessary to purchase the property in the remaining block between Mission and Howard Streets. This purchase, if likewise made from city funds, will practically double the present cost to the city.

The plan to extend Van Ness Avenue two blocks south to Howard Street, at an estimated cost of $750,000, was first placed before the Board of Supervisors by the City Engineer on December 3, 1923, with the recommendation that the work be financed by an assessment district. The cost of the work, tentatively apportioned on the basis of estimated benefits, was to be spread over property on Howard and Mission Streets, as far south as Army Street, and north on Van Ness Avenue to California Street.

After hearings on the project and the proposed assessment district, the Streets Committee of the Board of Supervisors ordered that the assessment district be revised to exclude property previously assessed or under contemplated assessment for the Mission-Sunset tunnel, and to include other property in the vicinity. The matter was then referred to the Lands and Assessment Committee, where further hearings developed considerable opposition to an assessment district.

A modified plan was then proposed and adopted by the Board of Supervisors, April 7, 1924. This fixed the assessment district boundaries, on the south as Fifteenth Street from Harrison to Howard, Sixteenth Street from Mission to Howard and both sides of Howard to Twenty-fourth Street; on the north, both sides of Market Street from Eighth to Valencia, and both sides of Van Ness Avenue to California Street. This plan provided that one-half of the cost be borne by the city and the other half by the property owners in the revised assessment district. Under this plan the city's portion of the cost would have amounted to $375,000 for the two blocks of the improvement, as compared to practically nothing under the original proposal, and as compared to $330,277 for only one block of the improvement under the present agreement.



No further public hearings were held on the matter. Negotiations were carried on by the Finance Committee over an extended period, resulting in the recent agreement under which the city assumes 86 per cent of the cost, and the property owners 14 per cent. This agreement was effected December 22, 1924 by the passage of a resolution proposing to buy the necessary land.

It is stated that the recent agreement under which the city assumes the major part of the cost was necessary to complete the project, that the delay had been injurious, and that under an assessment plan, the project would have been further delayed. It is also stated that it is not possible—because of precedent, application, and the existing laws regulating assessments for improvements, including the opening of streets—to consider future values that will accrue to property from an improvement, in levying the assessment for such improvement. It is not clear, however—although this may be covered by court decisions—how the cost of property *taken* can not be largely offset by an assessment on the property *remaining*, on the basis of benefits to such remaining property that will accrue from the opening of the street.

It is logical and equitable that property should be assessed for special improvements on the basis of special benefits to be derived by such property from such improvements. It is also logical and equitable that separate assessments be levied for as many special improvements as will benefit such

property. The Van Ness Avenue extension will have a direct effect on property values in the neighborhood, which effect will not accrue in like proportion to other property in the city; despite this, the greater portion of the cost is to be paid by the city. Revision of our present assessment policies—and laws, if necessary—and the levying of special assessments on the basis of special benefits to be derived from public improvements, will relieve the general tax burden, and will conserve city funds for projects of city-wide benefit, or for city-aid in financing local improvements where the cost cannot in equity be charged entirely to benefited property.

Unsound Pension Systems

Recent press articles from Sacramento give prominence to an actuarial report which, it is stated, indicates that the State Teachers' Pension Fund is over $32,000,000 short of the reserves required to meet liabilities that have accrued with each day of service by the teachers of the State. Although this conclusion has been disputed, it is not at all unlikely. Practically every pension system that is established other than on a scientific actuarial basis, and that does not provide for annual reserves, scientifically calculated to meet liabilities *as they accrue,* is in potential difficulties. The failure of many pension funds of the past is traceable to this fundamental defect of meeting liabilities *as they become due,* rather than during the twenty, thirty, forty or fifty years that they are actually accruing.

San Francisco has two pension funds of this type covering employees of the Police and Fire Departments. No reserves have been set up for either of these obligations. The pension roll for each is met each year, principally by taxation. Partial revenues, representing about 40 per cent of the present cost, accrue to the Police Pension Fund from a $2.00 monthly payment by each police officer and from specific municipal revenues that are appropriated directly to this fund.

The cost of these funds has been growing rapidly in recent years, due to the lack of adequate annual reserves to meet liabilities as they *accrued* during the earlier years of the two systems. The cost of the fire pension system, the more expensive of the two, has increased 100 per cent in the last four years and 170 per cent in the last seven years.

At the November election the people in approving Charter Amendment No. 39 greatly extended the already-liberal firemen's pension system, and, by such extension, increased the city's liabilities.

An actuarial pre-election estimate which the Bureau had made to determine the effect of Charter Amendment No. 39 indicated that the city's liability for fire pensions approximated $10,000,000, and that this would be increased by 40 per cent to about $14,000,000 if Charter Amendment No. 39 was adopted, as it later was. The amount of the city's liability for police pensions has not as yet been studied; the police pension system

was not as liberal as the fire pension system, even prior to the extension of the latter at the November election.

The extension of the city's liability for these pension obligations, the lack of scientific provision for financing these liabilities on an economical basis, and the tremendous and rapid increase in the cost of these, should dictate the necessity for the city's taking immediate steps to scientifically ascertain its obligations under these systems, and to provide a reserve basis for financing these obligations. Only by such provision can the city and the beneficiaries of the systems be assured that future accumulated obligations will not become too burdensome and too costly to be continued.

Important Municipal Events

RESULTS OF CENTRALIZED PURCHASING: The report of the Purchaser of Supplies on the first year (to June 30, 1924) of centralized purchasing enumerates direct savings of about $130,000 and a total saving to the city of about $200,000.

VALUATION OF POWER LINES: The Assistant City Attorney, representing the city before the Railroad Commission, reported to the Supervisors, January 5th, that the valuation of the local privately-owned distributing systems is about 55 per cent completed at a cost of $69,000, and that six and one-half months will be required to complete, at an additional cost of $60,000. Additional costs to the city, not included in the foregoing figures, estimated to amount to $25,000 or $30,000.

SALE OF 1925 WATER BONDS: Request of Board of Public Works for sale of $100,000 of 1925 water bonds for the purpose of financing surveys and preliminary plans for the Foothill tunnel work, for which $10,000,000 was voted last October 7th, held up by Public Utilities Committee until action is taken on the disposal of power. City Engineer's representative informed the joint Finance and Utilities Committees, January 23rd, that if funds are not soon provided, losses will accrue due to the dispersal and subsequent reorganization of engineering and construction forces.

HETCH HETCHY FINANCES: Supervisors, on January 12th, transferred $300,000 from Hetch Hetchy Operative Revenue Fund to meet bills for Hetch Hetchy construction work, and passed resolutions requesting Spring Valley Water Company to advance the first $250,000 of the $1,000,000 credit established to meet Hetch Hetchy construction expenditures.

SALARY INCREASES: Supervisors, on January 12th, voted increases for 51 employees, an additional cost of $14,000 a year, and on January 19th raised the rate for Board of Public Works' laborers from $5.50 to $6.00 per day. This for all city laborers will add $73,000 per year to municipal costs; if similarly applied to the other general per diem employees, whose rates are based on laborers' rate, will mean a further increase of $87,000.

or an increased cost of $160,000 a year. May effect pending requests for Railway employees' increases which amount to $396,000 a year. Laborers' rate in private employment, $4.50 and $5.00 per day. Finance Committee Chairman stated increases were based on November vote of the people which indicated their desire to pay high salaries and wages * * * On January 19th, increases for 63 employees totaling $20,700 a year were proposed and referred to Finance Committee. * * * On January 26th, increases for 97 additional employees, approximating $30,300 a year, were proposed and referred to Finance Committee.

INCOME TAX: United States Treasury Department has ruled that earnings of employees on publicly-owned utilities are subject to income tax, on the basis that these are proprietary rather than governmental activities. Extension of this ruling may affect income of Municipal Railway and other publicly-owned utilities.

SUNSET TRANSPORTATION: The fifth revised assessment report for the proposed Mission-Sunset tunnel is expected from the City Engineer's office early in February. Supervisors on January 12th postponed consideration of the Duboce tunnel to February 9th. * * * Supervisors on January 19th ordered the improvement of Judah Street between Thirty-first and Forty-first Avenues, as a preliminary to the construction of the street railway extension.

MUNICIPAL RAILWAY DEPRECIATION: Supervisor McSheehy on January 19th introduced an ordinance proposing that Municipal Railway Depreciation Fund be fixed at approximately 3 per cent of the value of the road; this would produce about $210,000. Supervisor McLeran on same date introduced an ordinance to fix depreciation as 4 per cent of gross passenger revenues; this would produce about $120,000 a year for depreciation. Bureau estimates indicate $280,000 a year required.

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Temporary Disposal of Hetch Hetchy Power

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Temporary Disposal of Hetch Hetchy Power

After a long debate, the Board of Supervisors, on February 24th, adopted a resolution introduced by the three members of the Finance Committee, declaring it the policy of the Board, "to provide for the temporary use and disposition of the power generated at Moccasin Creek, in accordance with the terms of the Raker Act . . . provided, that no proposition submitted shall involve the sale to any private corporation of electric energy for resale."

The resolution is printed in full hereinafter. Taken alone, it does not seem to represent much progress. With only a few weeks remaining until Hetch Hetchy power will be available it does not outline a plan of disposal. It is the result of the Colman resolution of January 5th, calling for an investigation and conclusions as to the disposal of Hetch Hetchy power and on which the Finance, Public Utilities and Citizens' Advisory Committees have been holding meetings and endeavoring to agree on a policy.

When it is considered, however, that the Supervisors have not heretofore officially recognized the fact that an interim, perhaps of years, was impending during which the power would be wasted if temporary disposal was not provided for; that it has been strongly urged that the power be wasted in preference to any arrangement with any private corporation, for no matter how short a period; and, that, the debate preceding the adoption of the resolution stressed, as the paramount factor, the saving to the tax-

payers of the $2,000,000 revenue that the power represents—it will be agreed that considerable progress has been made toward a sound business-like solution.

The resolution reads: "RESOLVED, by the Board of Supervisors of the city and county of San Francisco, as follows:

"1. That the Railroad Commission of the State of California be and it is hereby respectfully requested to expedite, as much as possible, the evaluation of the distribution systems of the Pacific Gas & Electric Company and the Great Western Power Company, located within the city and county of San Francisco, and to employ the necessary force to accomplish this result.

"2. That immediately after the report of the Railroad Commission on the evaluation of the distribution plants of the Pacific Gas & Electric and the Great Western Power Companies, proceedings be initiated for the creation of a bonded city indebtedness to raise the necessary funds wherewith to purchase one or both of the said distribution systems, or construct our own system.

"3. That it is the policy of the Board of Supervisors to provide for the temporary use and disposition of the power generated at Moccasin Creek, in accordance with the terms of the Raker Act, pending the acquistion or construction of a distribution plant by the city and county of San Francisco, provided that no proposition submitted shall involve the sale *to* any private corporation of electric energy for resale.

"4. That the Public Utilities Committee and the Finance Committee of the Board of Supervisors be, and they are hereby, jointly authorized to make the necessary investigation and report back to the Board of Supervisors, after conferring with the Mayor, City Attorney, City Engineer and Citizens' Advisory Committee, their recommendation of the best and most practical manner of using and disposing of the city's power, in conformity with the Raker Act, until the city acquires a distribution plant of its own."

The Citizens' Advisory Committee, supported by the Public Utilities Committee, introduced an opposing resolution, practically identical with the above resolution, except for the third clause, in which the Committee proposed the proviso, "that the Raker Act does not permit the disposal of Hetch Hetchy power *through* any individual or private corporation for resale." It was argued, in opposition to this, that the city could not sell any Hetch Hetchy power, except *through* existing transmission lines. Most of the discussion centered around the intent of the Raker Act, and the "to," or "through" of the opposing resolutions, resulting in the adoption, by a vote of 10 to 7, of the resolution proposed by the Finance Committee.

The Finance Committee Chairman announced that hearings would be called immediately to consider any and all proposals for the temporary disposal of the power. It can be disposed of under an agency contract, legal both as to the letter and the spirit of the Raker Act, on a basis that will bring a gross revenue of about $2,000,000 a year to the city. Lacking the adoption of a disposal plan, the plant will remain idle, and the taxpayers will continue to carry the burden of Hetch Hetchy debt charges amounting to $2,750,000 a year; in addition, operating, depreciation and insurance charges on the idle plant will probably amount to over $350,000 a year.

As to proposals for partial disposal of the power "crop," it may be possible in cooperation with the power companies: (1) To dispose of

about 50,000,000 kilowatt hours (from 17% to 27% of the power) for Municipal Railway, street lighting and other municipal uses; (2) to pay the Pacific Gas & Electric Company with Hetch Hetchy power for about $1,000,000 worth of gas and electricity used by the city, and to take, as Hetch Hetchy power income, the sums appropriated for such purposes; or (3) to sell Hetch Hetchy power to other municipalities for their municipal uses. This last seems impracticable; if practicable, it may be undesirable, if by such use, Hetch Hetchy power would become "dedicated" to the public use of other communities, so that San Francisco might, later, be unable to regain it for local use.

In the meanwhile, the power house and transmission line are rapidly nearing completion. In April, the power will be available. It will be at least a year before the valuation proceedings, now being carried on by the Railroad Commission, will have progressed to the point where the people can vote on a bond issue for acquiring a municipal distribution system. If the vote is favorable, it will probably take additional years for the city to legally acquire possession of such a system.

Any proposal to use the power for municipal purposes will only dispose of a portion of the power—probably not over 20%—and will require agreement with existing companies for the use, and payment for such use, of their substations, lines and other equipment, for transmitting the power to its various points of ultimate consumption. At an assumed rate of 7 *mills* per kilowatt hour at Newark, the 50,000,000 kilowatt hours of Municipal Railway and other municipal power would produce a Hetch Hetchy power income of only $350,000 a year—not enough to pay power-house and transmission-line operating charges and depreciation which the City Engineer estimates as $725,000 a year.

The clear cut, economical and businesslike policy, is to dispose of the power under an agency contract with existing companies, if such companies will agree thereto, until the people (if they so vote) can acquire a municipal power distributing system. Such an agency contract, if not a mere subterfuge for wholesaling the power, would be legal, and has been so held by the State Supreme Court, in the case of the city of Los Angeles. It is the course suggested by the Solicitor of the United States Department of Interior, which Department has jurisdiction over the city's compliance with the Raker Act.

Under such an agency plan, the power would bring a revenue of about $2,000,000 a year, at least $1,300,000 of which would be available to apply on Hetch Hetchy debt charges. These for the current fiscal year will total $2,750,000, equivalent to 40c on the tax rate. The $1,300,000 net revenue would be equivalent to 19c on the tax rate as a measure of relief to the taxpayers and a reduction of the tax burden.

With a certain increase in the tax rate, due to average increases in the cost of government, special increased costs voted by the people, and special increases for debt charges, new school buildings, and street reconstruction, a net revenue of $1,300,000 to reduce the tax burden cannot be lightly disregarded.

Long Term Contract Purchases Declared Illegal

The State Supreme Court has declared null and void the contract between the city and the San Francisco Exposition Company under which the company was to erect the Exposition Building at the Marina, and the city to pay for this over a period of eighteen years. The case was taken into court in a friendly suit to mandamus the City Auditor to make the first payment on the contract, for which $190,000 was provided in the budget for the current year.

The decision is based on charter provisions which in general, specify that it shall be illegal to incur an obligation in any fiscal year, the cost of which exceeds the city's revenue for such year, without having such obligation approved and a bond issue to cover the cost of obligation authorized by a two-thirds vote of the people. The Court held that the total cost of the building for which the contract was entered into was the measure of the obligation, and not simply one annual payment.

The decision should definitely settle a policy that has been the source of much controversy in the proceedings of the Board of Supervisors. Other purchases have been made under this type of contract, providing for acquisition by annual payments extending over a period of years. This contract, however, involved over $3,000,000 whereas other contracts were for much smaller amounts. Another contract of this sort, which provoked a controversy when considered by the Board of Supervisors, had to do with the purchase of land from the Spring Valley Water Company for use as part of the Ocean Beach playfield.

While it is desirable to have the situation cleared up, the decision will tend to force on the city a bond-issue policy of financing for many items where a pay-as-you-go policy might be more economical and desirable.

The decision was forecasted by an unofficial opinion furnished relative to the plans of purchasing the Market Street Railway Company properties on a payment-out-of-earnings basis. This opinion was to the effect that a purchase-out-of-earnings plan would require approval of the people in the same manner as would a bond issue, and for the full amount of the purchase price, on the theory that the total purchase price would be involved and not simply the amount of any annual payment. The total purchase price was held to be the main consideration, and the measure of the city's obligation, and, thus, the amount which the people would have to authorize by a two-thirds favorable vote.

Hetch Hetchy Water Construction Policy

For some weeks, resolutions have been before the Finance Committee, the Public Utilities Committee, and both committees jointly, relative to the sale of 1924 Hetch Hetchy water bonds. One of these resolutions calling for the sale of $3,000,000 of bonds, to supply funds for carrying on the first year's work in the Foothill and Coast Range division, was dropped at a joint meeting of the Finance and Public Utilities Committees on February 20th. At the same meeting, after lengthy discussion, others were approved calling for the appropriation of $200,000 to cover the cost of surveys, preparation of plans and acquisition of rights of ways. The committee recommended the immediate appropriation of $100,000 for this work.

In the discussion relative to the sale of $3,000,000 of bonds, the Chairman of the Finance Committee, in opposing this, stated that he would favor appropriations for surveys, the acquisition of rights of ways, and the preparation of plans and specifications, for the purpose and with the intent of letting a contract, or contracts, for all construction work. He stated also that the Supervisors might have made a mistake in providing funds (the $10,000,000 bond issue) for the 17-mile Foothill Range tunnel, while the 31-mile Coast Range tunnel is the controlling element from the standpoint of time in bringing Hetch Hetchy water to San Francisco. It was stated by the Assistant City Engineer that the surveys would require at least four months.

The $10,000,000 Hetch Hetchy water bond issue, which was voted by the people on October 7th last, was part of a complete program of water and power financing adopted by the Board of Supervisors on August 7th and 8th, 1924. This sum, it was estimated, would provide for three years' work,—the completion of the 17-mile Foothill Range tunnel, the sinking of shafts along the line of the longer Coast Range tunnel, and the start on the westerly end of the Coast Range tunnel. The policy as voted by the Supervisors on August 8th, was to propose when needed, but not before 1926, a bond issue for the additional $23,000,000 required to complete the 31-mile Coast Range tunnel, and the 42 miles of San Joaquin Valley pipe line. With five years' work required to complete the longer tunnel from the time the work is started, the program if adhered to would bring Hetch Hetchy water to San Francisco in eight years.

The City Engineer and the engineers of the Spring Valley Water Company do not agree on the question of maximum water yield from the properties of the Spring Valley Water Company. If the estimates of the Company's engineers are correct, San Francisco will have ample water for ten years or more. If the City Engineer's estimates are correct, however, San Francisco will need Hetch Hetchy water long before 1933, the date that it will be available under the program adopted last August.

Municipal Railway Depreciation Requirements

Three and one-half years ago the Board of Supervisors, having expended the surplus funds of the Municipal Railway for additions and betterments, began to draw on the Municipal Railway Depreciation Reserve for financing other extensions to the system. By this policy, the Depreciation Reserve—which amounted to over $1,500,000 in 1921 and to which over $700,000 has been added since then—has been expended and appropriated until, according to the December, 1924, monthly statement of the Board of Public Works, it shows a contingent deficit of $414,000.

The pressure for extensions has continued unabated. Recently, however, the Public Utilities Committee has refused to sanction any further extensions and has called upon the City Engineer for compilation of the estimated cost of all extensions that have been requested, for the purpose of considering these as a whole, and, in conjunction with the Finance Committee, determining the best means of financing those approved.

The Depreciation Reserve has been created by setting aside 18% of gross passenger revenues, from which, however, expenditures have been made for bond redemption, accident claims, and operating deficits, leaving a net amount for depreciation of only 8% or 9%. This method has caused a great deal of confusion. As a result, an ordinance and a resolution are now pending for the purpose of reorganizing the Depreciation Fund. The proposed ordinance provides for the appropriation of 4% of *gross revenues* (equivalent to about $130,000 a year) to the Depreciation Reserve. The proposed resolution provides for the appropriation of 3% of *the cost of the property* (about $220,000 a year) to the Depreciation Reserve. The two proposals are to come before the joint Finance and Public Utilities Committees on Friday, February 27th.

For a proper consideration of the situation, the Depreciation Reserve should be considered as a separate fund which grows cumulatively year by year, for the purpose of financing replacements to the property as parts thereof wear out. The amount set aside monthly for depreciation purposes must be considered separately, as this is immediately reduced by appropriations for bond redemption, accident claims, operating deficits, and other purposes.

The Depreciation Reserve as of December 31st last, showed a balance of about $1,124,000. This is reduced by appropriations of $635,000 and $903,000 predicated for other extensions and betterments; when these are expended, the balance will be converted to a deficit of $414,000.

The 18% set aside *monthly* for depreciation purposes will amount to about $586,000 for the current fiscal year. From this, $201,000 will be applied to the redemption of bonds, approximately $50,000 will be applied

to monthly operating deficit, probably $80,000 will be used for the payment of accident and damage claims, leaving a balance of about $255,000 for depreciation purposes.

Estimates of the depreciation requirements of the Municipal road, made last year by the Bureau of Governmental Research, indicated that, on the basis of the historical cost of the property, the Depreciation Reserve at that time should have amounted to between $2,085,000 and $2,200,000; and, on the basis of reproduction costs to between $2,700,000 and $2,840,000. The net Depreciation Reserve, as heretofore constituted, if this had been held solely for depreciation expenditures, would have amounted to about $2,700,000.

The same estimates indicated that approximately $280,000 should be set aside annually for depreciation purposes, assuming, of course, that this would be held exclusively for future replacements and other proper depreciation expenditures.

The problem of the Supervisors, therefore, is twofold: First, to reconstitute the Depreciation Reserve, which, as stated, now totals $1,124,000, but which shows a deficit of $414,000, if all appropriations which have been made, are expended. And, second, to provide a sound basis for the charges against Railway revenues, that should be set aside monthly and conserved for depreciation purposes.

The proposed ordinance which would set aside 4% of *gross revenues* is on the same unsound basis as the present depreciation ordinance; it would appropriate only about $130,000 a year, which sum is apparently inadequate. The proposed resolution which would set aside 3% of *the cost of the property,* is based on the actual cost of the property to be replaced out of the Depreciation Reserve. This is the best basis for a depreciation charge, although the rate specified, 3% would set up only $220,000 a year or about $60,000 less than the estimated amount needed to meet actual requirements.

Power Facts and Recommendations

A copy of a report on "Hetch Hetchy Power Disposal—Facts and Recommendations" is enclosed with this issue. This report is issued by the Chamber of Commerce, Real Estate Board and Down Town Association, for general distribution. The Bureau of Governmental Research assisted in the preparation of the report, by the accumulation and compilation of the facts and figures on which the recommendations of the report are based. The report will be found to sum up the present status of the Hetch Hetchy power matter, and to indicate the legal, practical and businesslike course that the city should pursue.

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Vol. V March, 1925 No. 3

Water Construction Policy Recommended To Supervisors

Salary Standardization Plans

A Street Reconstruction Program

Hetch Hetchy Power Disposal

Basis For Sound Railway Financial Program

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Water Construction Policy Recomended to Supervisors

In a report to the Board of Supervisors under date of March 13th last the City Engineer analyzed the present water situation and various questions of policy that have come up relative to the expenditure of further Hetch Hetchy moneys and incorporated a recommended program for consideration of the Supervisors. The subject matter of the report is briefed in the following:

'Notwithstanding the more copious rains of this year there is at the present time in storage in the Peninsula reservoirs only seven billion gallons which is one and three quarters billion gallons less than at the same date last year. In addition there is in storage in Calaveras four and one quarter billion gallons. The City Engineer's studies indicate "that it is imperative that water from the Hetch Hetchy project be delivered to San Francisco not later than January, 1931."

'An informal agreement was reached last year on a $25,000,000 Hetch Hetchy water bond issue. The Utilities Committee subsequently recommended an issue of only $8,000,000. At the Engineer's request this was increased to $10,000,000, the additional $2,000,000 being provided for the sinking of construction shafts for driving the long (31-mile) Coast Range tunnel, thus "making possible the completion of the Coast Range tunnel within three years after the completion of the Foothill tunnel, which work was also estimated to require three years' time." The bond issue was carried by a vote of 20 to 1.

'The Board of Public Works, on November 28th last, re-

quested the appropriation of $3,000,000 of these 1924 bond funds to carry on the work during 1925. Later, the Board of Supervisors, by the adoption of Ordinance No. 6440, took over certain of the discretionary powers previously delegated to the Board of Public Works. "Having taken up this responsibility, it is necessary for your Board to outline a program or approve a program which is submitted."

Questions of Policy to be Decided

'Questions have been brought up in discussions before the Finance and Utilities Committees as to whether the work should be done by contract or day-labor; as to whether expenditures in the Coast Range and Foothill Divisions should be as indicated during the bond campaign; and as to the desirability of Coast Range expenditures, on the basis of rumors concerning changes in plans. "These are all questions of policy which should be determined now."

'The Engineer's office has no fixed policy as between contract or day-labor work. The choice should be determined with reference to the particular piece of work at hand. Both methods have their advantages and disadvantages. In driving long tunnels, a contractor must anticipate and provide against many uncertainties. The day-labor basis is as economical as the contract basis for tunnel work, and, if increased difficulties are not met or expenses increased due to other causes which a contractor must provide for in his bid price, the city will save money. On the other hand under a contract plan the cost of the completed work is closely known at the time the contract is entered into.

'The division of expense as originally agreed upon, $8,000,000 for the Foothill tunnel, and $2,000,000 for the Coast Range, is desirable. A large amount of tunnel construction equipment is now on hand on the Mountain Division which should be utilized whether the new work is done by contract or day labor. This equipment can be most conveniently transferred to the Foothill tunnel work, which can be prosecuted while shafts on the Coast Range tunnel are being sunk. Upon completion of the Foothill tunnel, the tunnel equipment can be again transferred to the Coast Range tunnel, thus avoiding purchase of duplicate equipment. Should the Foothill work be deferred, and the $10,000,000 spent on the Coast Range, the end of three years will leave the city with part of the Coast Range and all of the Foothill tunnels to be completed.

'There is no thought of recommending any modification in the general plan of tunneling the Coast Range, as outlined in the Freeman report.

Recommended Program

'The following program of construction is recommended: "The Board of Public Works should be immediately authorized to establish camps at the several portals of the Coast Range tunnel; to transfer to and install at these points the available tunnel driving equipment used on the Mountain Division of the work, and to proceed and open up these working faces, driving a few hundred feet of tunnel at each point. When the working faces have been opened up, bids for driving definite lengths of tunnel from the several working faces could be received from contractors. Also, as soon as possible, contracts for sinking the several working shafts in the Coast Range tunnel to the tunnel floor should be entered into."

'The advantages of this program are: (1) getting the tunnel under way in the least possible time; (2) effectively utilizing all available equipment; (3) giving bidders a definite knowledge of the character of the ground to be encountered; (4) if the length of any tunnel contract be limited to four or five thousand feet, the elements of uncertainty will be reduced, as no contract need extend over one year's time; (5) the work can be divided into a number of contracts ranging from $250,000 to $500,000 each, which should provide greater competition, lower bids, rivalry between contractors, and would also reduce the amount of bond premium; (6) if satisfactory bids are not received it would offer the possibility of doing this work on a station basis, or by the day-labor method.

'Estimate indicates that by the expenditure of $1,500,000 in the Foothills and $900,000 in the Coast Range, all such preliminary work could be accomplished other than contracts for which special appropriations would be made.

"Should your Board by resolution approve this as a general plan, I will prepare and transmit through the Board of Public Works a detailed budget of expenditures as required."

Salary Standardization Plans

Charter Amendment No. 27, approved by the people at the November election, provides for a classification and grading of positions by the Civil Service Commission for the purpose of fixing compensations "under which like compensation shall be paid for like services, with due regard for prevailing economic conditions." Complete power for fixing compensation is vested in the Board of Supervisors, the only restriction being that this power must be exercised on the basis of full and complete information,

and as applied to groups doing similar work. Responsibility for the accuracy and completeness of the information on which salary rates are to be based rests with the Civil Service Commission. Rates fixed by the Supervisors under the new salary-standardization procedure will be fair and equitable only to the degree that the employment classification on which they are based, is accurate and comprehensive.

The existing Civil Service classification will not fulfill the requirements of salary standardization. It is essentially a classification of titles and salaries, which, in most cases, does not group similar positions interdepartmentally. Because of this, it seems probable that the recent proposal of the Civil Service Commission to the Board of Supervisors will have little, if any, constructive effect, if it should be carried out. The proposal is, generally, that first-year, second-year and third-year salaries for "entrance positions" be determined by the Supervisors, in conjunction with the Civil Service Commission, on the recommendations of heads of departments (forty days allowed for such work), and, following such "grading," that the "promotive positions" be taken up and graded in the same manner (this to be completed in time for use in the 1926-27 budget).

One of the most important problems confronting San Francisco as a public employer is that of paying adequate compensation for each class of work performed, and the same compensation to all employes performing similar work. This is, in effect, salary standardization as contemplated by Amendment No. 27. Uniformity in municipal compensation can be secured only by compiling, summarizing and analyzing all pertinent facts concerning the duties, responsibilities and authority of all employes on the city pay roll. This calls for an occupational classification of personnel, based on duties, responsibilities and authority, not on existing salaries, existing titles, or other qualifying designations.

A position may be defined as an aggregation of duties, responsibilities, and authority that calls for the time and attention of some one individual. It follows, therefore, that a classification of positions according to duties, responsibilities, and authority necessitates an intimate knowledge of the nature of employment in each of the positions to be classified, all of the circumstances surrounding it, and the working conditions relating to it. It must be based not only on pertinent facts relating to the positions themselves, but on general facts regarding the functions of the departmental unit in which the position is found, its routine operation or procedure, the organization plan and delegation of responsibility and authority within the unit, and the relationship of the position concerned with others above and below it.

Such employment classification having been worked out for all positions,

comparisons must be made with employments in other municipalities, in the outside business world, and with other employment in the same service. Comparative rates must be analyzed and proper allowances must be made for varying conditions. Rates must be established with proper gradations for increasing experience and seniority within classes, and for promotional opportunity in the service as a whole.

This is by no means a small undertaking. It cannot be done piecemeal. To be of any value it must be thoroughly, completely and accurately done, otherwise it might better be left undone.

The Civil Service Commission should request and the Supervisors endeavor to appropriate a sum sufficient to insure this work being done thoroughly, effectively and as promptly as conditions will permit. If undertaken immediately the results *may* be available for the 1926-27 budget calculations, but no tangible results of any value can reasonably be expected for use in the coming year's budget.

The development and subsequent administration of an adequate compensation plan for a personnel as large and as varied as San Francisco's merits the attention and support of the Civil Service Commission and the Supervisors. Effective salary standardization should result in better public service because an equitable wage scale naturally produces a contented worker, secure in the knowledge that his progress depends not on personal contacts, but solely upon his or her ability to serve efficiently. It should result in economy because the possibility of employes, through favoritism or lack of complete information regarding their duties, getting higher pay for services than they are fairly worth, is at least minimized if not eliminated. It is, therefore, a matter of vital interest to municipal employes, city officials, and taxpayers.

A Street Reconstruction Program

The Chairman of the Supervisors' Streets Committee is advocating an appropriation of $1,000,000 in the coming budget for the reconstruction of streets. The budget appropriations for street reconstruction during the last six years have averaged $344,000 per year. It has frequently been stated by the City Engineer's office that San Francisco is at least $2,500,000 behind in its street reconstruction work.

Under the Charter after a street shall have been constructed to the satisfaction of the Board of Public Works and accepted by the city it "shall be kept in repair and improved by the city and county."

San Francisco's problem in reconstructing and repaving its streets is duplicated in many other cities throughout the country. It has been created by insufficient appropriations in the past for this purpose, by the

restriction during war years on appropriations for capital expenditures, and by the tremendous growth in auto traffic during recent years, with the inevitable effect due to such increased traffic, of wearing out the streets much more rapidly than has been the case in the past.

The old construction of cobble surface with no rigid base is utterly inadequate for present-day traffic requirements. San Francisco's problem consists of the replacement of old cobble streets with modern pavement, and the reconstruction of asphalt streets that have been broken by age and traffic.

Annual Requirements on Basis of Pavement Life

San Francisco's pavements are almost all of the asphalt-surface, concrete-base type. One authority estimates the life of this class of pavement in business districts as between ten and fifteen years. Another authority has compiled reports from sixty-four cities, of which eighteen cities report the life of an asphalt pavement on a business street as between five and nine years, thirty-two cities as from ten and fourteen years, and fourteen cities as fifteen years or more. The life of asphalt streets in residential districts is estimated by the same authorities as from fourteen to twenty-five years. Of seventy-three cities, twenty-six report a life of from ten to fourteen years, thirty cities as from fifteen to nineteen years, fifteen cities as from twenty to twenty-four years, and two cities as twenty-five years or more.

The value of San Francisco streets, exclusive of land valuation, as shown by the City Auditor's report for June 30, 1924, is approximately $26,900,000. This includes grading, sub-base and catch-basin costs that will not have to be duplicated when the streets are reconstructed. On the other hand, this valuation represents *historical costs* at price levels of the past twenty-five or thirty years, which were considerably lower than present-day costs of *reproduction.*

If it be assumed that the higher *reproduction* costs of today will be offset by the *historical* costs of grading, sub-base and catch-basins, which will not have to be reproduced, San Francisco would require an annual expenditure of from $1,000,000 to $1,800,000 to keep its street reconstruction program up with street-pavement depreciation. The estimate of $1,000,000 a year is derived by taking as the *average* life of an asphalt street, the twenty-five years that is given as the highest estimate. If fifteen to eighteen years be taken as the *average* life, these would require annual appropriations of from $1,500,000 to $1,800,000 for the adequate replacement of existing streets.

San Francisco's street reconstruction needs must be handled in an orderly and systematic manner if the work is to be done effectively and economically. There should be an engineering survey to determine and classify

existing requirements on the basis of condition of pavement, volume of traffic, character of frontage, use of streets, etc. Following such an engineering survey there should be a determination, by blocks, of the approximate relative order in which needed street reconstruction should be attempted. This having been done, a street reconstruction program for several years into the future should be proposed as a tentative program for work and financing, under which the city's requirements can be most effectively and economically provided for.

Hetch Hetchy Power Disposal

With the veto by the Mayor on March 2d of the Supervisors' power disposal resolution of February 24th, action in the matter of disposing of the Hetch Hetchy electrical energy has apparently come to a standstill. It is stated that the 93,000 horsepower to be developed will be available in April. The vetoed resolution established as the policy of the Board of Supervisors, "to provide for the temporary use and disposition of the power generated at Moccasin Creek, in accordance with the terms of the Raker Act, pending the acquisition or construction of a distribution plant by the City and County of San Francisco, provided that no proposition submitted shall involve the sale to any private corporation of electrical energy for resale."

On March 9th the Supervisors on the recommendation of the Joint Utilities and Finance Committee adopted a resolution providing for the public advertisement of a solicitation of offers for purchase of whole or part of Hetch Hetchy electrical energy by any municipality, municipal water district, or irrigation district, delivery to be made at any point on Hetch Hetchy transmission lines, contracts to be subject to terms and conditions of the Raker Act, offers to be presented in writing by March 30, 1925, and to be accompanied by statement of plans which any bidder contemplated following in taking delivery of and transmitting the power.

Little Prospect of Use by Other Communities

The city of Alameda indicated an interest in such a proposal. More recently, the press reports that the Patterson Water District has stated its interest in the proposal. Alameda uses about 12,000,000 kilowatt hours per year for which it now pays a rate of nearly 1 cent per kilowatt hour. The Patterson Water District is stated as using about 5,000,000 kilowatt hours per year, also at a present rate of about 1 cent per kilowatt hour.

It is questionable whether anything tangible can come of either proposal. The City Engineer has estimated Hetch Hetchy power as worth 8.824 *mills* at Newark. Alameda would have to arrange to transmit the

power a distance of twenty miles to its distributing system, and the Patterson Water District, about fifteen miles; adding to the 8.824 *mills* the cost of such transmission there would be little if any saving.

The most important point, however, is that if the City of San Francisco is to prosecute its plans of attempting to acquire a municipally-owned distributing system within the city limits, it cannot guarantee long-term delivery of power to any outside municipality or district. Any such outside city or district that contracted to take a block of Hetch Hetchy power would have to calculate on such use for a limited period only, subject to the right of the City of San Francisco to discontinue such supply when the city might have its own distributing plant and thus would require the power for its own local uses.

These two blocks of power, if they could be disposed of, plus an estimated 50,000,000 kilowatt hours of Municipal Railway and other San Francisco municipal power, if this could be disposed of, would require only 67,000,000 kilowatt hours of power a year, or about one-fourth of the potential output of the Moccasin Creek plant. The gross revenue from such disposal, at *existing* rates, would approximate $850,000, as compared with operating expenses (exclusive of local expenses for railway and local municipal power distribution) of $740,000, and debt charges of $1,440,000. Furthermore, Municipal Railway and other municipal power cannot be supplied from the Hetch Hetchy plant without an additional capital expenditure to take over equipment and structures now privately owned and used in the supplying of such power.

No Basis For Claim That Agency Contract Would Be Illegal

The Citizens' Advisory Committee and the Supervisors' Utilities Committee, in opposing the disposal of Hetch Hetchy power through the medium of an agent, have contended that this is contrary to the "spirit and intent" of the Raker Act. The city has never had a formal opinion from its constituted legal advisor, the City Attorney, on this point. The city's special Hetch Hetchy counsel has on several occasions informally advised the Supervisors, and committee of the Board, of the complete legality of the use of an agent for the disposal of the power, and has stated that this is in accord with the provisions, and within the prohibitions, of the Raker Act.

Reference has previously been made in the columns of The City to an opinion rendered by the Solicitor of the U. S. Department of the Interior to the effect that the use of existing agencies is clearly within the city's rights, during the interim between the time that the power is available and the time that the city may acquire its own distributing system. The columns of The City have also referred to a decision of the California

Supreme Court in the case of the city of Los Angeles, also upholding this contention.

Enclosed with this issue of THE CITY is an opinion rendered by Colonel Allen G. Wright of the firm of Wright & Wright and Stetson, who, in his capacity as legal advisor to the Chamber of Commerce, rendered an opinion in December, 1923, to the Water and Power Committee of that body completely discussing this point. The opinion states that the city may enter into an agency agreement providing such agreement is not a subterfuge for the wholesaling of the power. It refers in detail to the decision of the California Supreme Court in 1922, relative to the Los Angeles case, and to the opinion of the Solicitor of the Department of the Interior.

The opinion closes with this significant observation: "The city has an obligation under the Raker Act to use the electrical energy developed or to offer it for use. To do this it must provide for the transmission and distribution of this power. The city cannot buy or construct its own distribution system without money and to get money the people must be persuaded to vote for bonds and increase their taxes. If they cannot be persuaded to vote for bonds which would be necessaray for this purpose, then the city must if it can enter into an agency contract of the type suggested with a power company to transmit and distribute its electrical energy. Failure of the city to pursue either course would expose it to the legal proceedings referred to by Mr. Edwards in the conclusion of his opinion if the Secretary of the Interior concurred in that recommendation."

With the power available within thirty days; with the probability that years will elapse beyond the date of a bond election, before the city can possibly secure possession of a distributing system; with the power worth over $2,000,000 a year if disposed of through the use of an agent; with a prospective net return of at least $1,300,000 per year, equivalent to 19 cents on the tax rate, from such agency disposal of the power; with the citizens confronted with debt charges for the coming fiscal year on Hetch Hetchy bonds of approximately $2,750,000 or 40 cents on the tax rate; and with a certain increase in the tax rate due to increases voted last November—increased debt charges, and increased appropriations for improvements, etc.—it seems inconceivable that the asset at hand for use by the city, involved in the agency disposal of Hetch Hetchy power, which can be applied to reduce the tax rate, can be lightly ignored.

Basis For Sound Railway Financial Program

The many phases of the whole Municipal Railway financial problem have finally been effectively and officially brought together by the Supervisors, for balanced consideration of the problem as a whole. This has been done through the medium of two reports, submitted to the Joint Finance and Public Utilities Committee on February 27th. One report, prepared by the Finance Committee's expert accountant, deals with the status of the Depreciation Fund, and the depreciation requirements of the Municipal Railway. The other report, prepared by the City Engineer, deals with the many extensions that have been voted by the Supervisors and proposed by various groups, and the method of financing these.

The report dealing with the Depreciation Fund, and depreciation requirements of the Municipal Railway shows that of an available balance in the Depreciation Fund as of December 31st last, amounting to $1,158,688, the Supervisors have pledged by resolutions the sum of $1,029,082, leaving a balance of $129,605. Additional predications for car shop, rolling stock for the Sunset line and Embarcadero bus line are shown, totaling $510,000; these, if spent, will create a deficit of $380,394.

Accounting Reorganization of the "Depreciation Fund"

The report analyzes the compensation insurance reserve in relation to payments therefrom, the requirements up to 1952-53 for bond redemption and the cost since the start of operations for injuries and accident claims. The report shows that accident claims have averaged 1.5% of gross revenues per year, and that compensation insurance payments during the last six years have averaged only $6,130 per year.

Although no specific recommendations are made in the report, a proposed ordinance which accompanied the report, provides that an Accident Insurance Fund be created by setting aside 2% of gross revenues of the road (equivalent to about $63,000 a year); and that an Employees' Liability Fund be created by the transfer of present balances ($122,000) and thereafter maintained by charging against revenues the same rate used by the State Compensation Insurance Fund.

The report tabulated the cost of the road as of June 30, 1924, showing a total cost of $7,570,225. An estimate is made of accrued depreciation to June 30, 1924, on the basis of 4% per year of the cost of the property. The average annual investment since the start of operations in 1913 is compiled, from which the accrued depreciation, as of June 30, 1924, is calculated as $2,415,550.

No recommendations are made in the report relative to depreciation. In the proposed ordinance above referred to, it is provided that existing balances in the Depreciation Fund be transferred to a new account to be created and that thereafter "an amount representing depreciation of the physical property on a usage basis" be set aside monthly, "the rate used being established by the City Engineer and the Finance Committee."

The report will have the very desirable effect of clarifying public understanding, which has heretofore been confused by the use of the "Depreciation Fund" for everything but depreciation.

The recommendations as incorporated in the proposed ordinance, however, will not effectively reconstitute the Fund, on a basis sufficient to meet the requirements of the system from the depreciation standpoint, either at the present time or in the future. If, as the report shows, the accrued depreciation amounts to $2,415,550 and if the present annual requirements to be set aside for depreciation should be 4% of a valuation of over $7,500,000, the proposed ordinance should specifically provide for these.

Six Million Dollar Extension Program

Relative to extensions the City Engineer's report, shows a total cost of $5,651,000 for 13 enumerated projects and recommends a bond issue of $6,000,000 to cover these. The report recommends the immediate appropriation of $625,000 out of the Depreciation Reserve for a car repair shop, 15 new cars, and extensions into the Marina tract and the down town loop, this sum to be replaced out of the contemplated bond issue. The report also recommends the elimination of $400,000 of the $500,000 appropriated in 1921 for the Sunset line, leaving this to be provided for out of the bond issue. The report also recommends the rescinding of the 1921 resolution appropriating $200,000 for the construction of a line on Masonic Avenue.

The projects covered in the report would include 12.54 route miles of car lines and 7.67 route miles of bus lines. The lines provided for, their proposed cost and their mileage, is as follows:

	Route Miles	Estimated Cost			
			Auxiliaries		
			Track and Land	Equipment	Total
Car Repair Shop	.....	.....	$250,000	.....	$250,000
New Cars (15)	.....	.....	.....	$255,000	$255,000
Marina Tract	.69	$ 60,000	.....	.....	60,000
Downtown Loop	.19	70,000	.....	.....	70,000
Duboce-Sunset	4.54	567,000	400,000	289,000	1,256,000
Excelsior District	2.73	343,000	1,600,000	102,000	2,045,000
Balboa Street	2.79	355,000	100,000	85,000	540,000
Eureka Street	1.60	200,000	625,000	200,000	1,025,000
Monterey Blvd. Bus	1.25	.....	.....	20,000	20,000
Potrero Hill Bus	1.10	.....	.....	30,000	30,000
Embarcadero Bus	3.25	.....	.....	60,000	60,000
Legion of Honor Bus	.60	.....	.....	10,000	10,000
Silver Ave. Bus	1.47	.....	.....	30,000	30,000
		$1,595,000	$2,975,000	$1,081,000	$5,651,000

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The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

April, 1925

Depreciation Requirements of the San Francisco Municipal Railway

A Report by the
San Francisco Bureau of Governmental Research
to the
Finance and Public Utilities Committees
of the
Board of Supervisors

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The City

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Depreciation Requirements of the San Francisco Municipal Railway

Conclusions

Copies of the report printed herewith were filed by the Bureau of Governmental Research with the Joint Finance and Public Utilities Committee of the Board of Supervisors on February 27, 1925. The data herewith submitted indicates:

1. That the Depreciation Fund balance, as of June 30th next, the end of the current fiscal year, should amount to approximately $2,900,000 to insure the future replacement of the component parts of the property, as these wear out in service, or due to age.

2. That the property, being new, has to date required expenditures for replacement purposes, chargeable to depreciation, of only $136,000.

3. That with a present depleted balance in the Depreciation Fund, and the probability that this should approximate $2,900,000, provision should be made for the reconstitution of this Fund, in any proposal by the Supervisors of a bond issue for Railway purposes.

4. That with provision made for an adequate balance in the Depreciation Reserve Fund, equivalent to the accrued depreciation of the various parts of the property, a sum approximating $287,000 a year should be set aside to cover annual depreciation.

5. That the $287,000 annual charge proposed, is approximately 4.9 per

cent. of the "depreciable property" of the Municipal Railway, which is considered as 78 per cent. of the cost of the whole property.

6. That the annual charge for depreciation purposes should be set up as 4 per cent. of the cost of the property, exclusive of the cost of the land.

Necessity of an Adequate Depreciation Reserve

The depreciation of the Municipal Railway, or any similar property, is a day-by-day wearing out of cars, motors, wire, track, roadbed, and all other components, due to service or time, or both. It is an operating cost as certainly and as directly as the wages of the men who operate the property.

The proper handling of the cost of depreciation—the necessary expenditures for replacements and renewals—is always complicated, however, by the fact that, while the *cost* accrues daily, the actual *expenditures* are postponed until the end of the life of the various component parts, which make up the whole property. Depreciation expenditures are deferred liabilities which accrue, however, with every car mile of operation, and every day of elapsed time.

If reserves are not set up out of revenues, as these costs accrue, to provide funds for meeting these expenditures when they must be made, then—(1) the expenditures may prove so burdensome as to be beyond the capacity of future current revenues to finance, which may result in bankrupting the property; or (2) the equipment and other parts of the property may have to be kept in service beyond the period of their economic life, thus forcing high and costly maintenance and repair expenditures, and perhaps seriously affecting the efficiency of the service.

If the continued efficient functioning of a property is to be assured, proper reserves must be set up day by day to meet expenditures caused by service wear and tear, or by age, when such expenditures must be made. To trust to the future financing of these inevitable expenditures is hazardous and unbusinesslike. It has been stated that, the failure of utility executives two or three decades ago to realize the importance of proper accounting, and specifically, the necessity of current charges to create proper depreciation reserves, was responsible for many of the later utility troubles.

A depreciation reserve fund created to meet replacement costs, should be based on the cost of the properties to be replaced, and the expected life of these properties. Regardless of the method used in creating and building up such a reserve fund, it must be based on these factors, if it is to be soundly established ,and if it is to adequately meet the purpose for which it is created and maintained.

Present Depreciation Fund—"18% of Revenues"

The Depreciation Reserve Fund of the San Francisco Municipal Railway is commonly considered as 18% of gross revenues. This has been misleading and confusing, and, as has frequently been pointed out, it is unduly high—if solely for depreciation.

Erroneous conclusions are inevitably drawn, however, due to the fact that, while 18% of gross revenue is set aside and appropriated to a so-called "Depreciation Fund," these sums are then drawn for bond redemption, accident and damage claims, operating deficits, and other non-depreciation expenditures.

From the start of operations in 1912 up to last June 30th, the *net* balance for depreciation purposes has averaged only 5.6% of *gross revenues.* Counting other appropriations which have been made from the Fund, but which are as yet unexpended, the amount of actual depreciation funds will approximate only one-half of one per cent of gross revenues. The inadequacy of these rates would be further emphasized, if expressed as percentages of the *value of the property,* rather than of *gross revenues.*

TABLE 1 attached hereto, shows the theoretical condition of the Depreciation Reserve Fund, as it was intended to operate when created. This shows that of $4,573,831 set aside as 18% of gross revenue up to June 30th last, $1,852,094 was paid out for bond redemption and for accident claims, and $136,754 for depreciation expenditures, leaving a balance of only $2,586,983, or 10.2% per cent of gross revenues. Even this, however, is only a theoretical balance, as is shown by Table 2.

TABLE NO. 1—THEORETICAL DEPRECIATION RESERVE
On Basis of Present 18 Per Cent of Gross Revenues

Year	18% of Gross Income	Bond Redemption	Accident Claims	Replacement Expenditures	Net Deprec. Reserve**
12-28-12 to 6-30-14	$ 173,964	$.....	$ 15,000*	$.....	$ 158,964
1914-15	294,959	.....	20,000*	.....	433,923
1915-16	352,075	101,000	25,000*	.....	659,998
1916-17	264,727	101,000	30,000*	.....	793,725
1917-18	425,271	101,000	30,000*	.....	1,087,996
1918-19	430,543	197,000	30,000*	.....	1,291,539
1919-20	486,551	197,000	30,000*	.....	1,551,090
1920-21	516,414	197,000	30,000*	.....	1,840,504
1921-22	519,266	195,000	39,210	10,000	2,115,560
1922-23	538,889	200,000	52,556	64,692	2,337,201
1923-24	571,172	200,000	59,328	62,062	2,586,983
Total	$4,573,831	$1,489,000	$ 363,094	$ 136,754	.....

*Apportionment of cost of accident claims from 1912 to 1920-21.
**Exclusive of appropriations for operating deficits, extensions, etc.

TABLE 2 analyzes the Depreciation Fund, as it has been actually administered. The 18% of gross revenues has been increased by interest earnings derived from the investment of Fund balances, bringing the total Fund to $4,874,818 for the period of operations up to the end of the last fiscal year. Deductions from the Fund totalled $3,361,655 (bond redemption and accident claims $1,852,094, operating deficits $547,838, and additions and betterments $961,723) leaving a balance at the close of the last fiscal year of $1,513,163. This is only *5.6%* of *gross revenues,* instead of the 18% commonly but erroneously considered as set aside for "depreciation."

TABLE NO. 2—ACTUAL DEPRECIATION FUND
On Basis of Present 18% of Gross Revenues

Year	18% of Gross Rev.	Interest Earned	Total to Reserve	Bond Red. & Accid. Claims	Operating Deficits	Add'ns & Bettermts	An'l Depr. Reserve
12-28-12 to 6-30-14	173,964	$.....	$ 173,964	$ 15,000*	$.....	$.....	$ 158,964
1914-15	294,959	.....	294,959	20,000*	.....	.....	274,959
1915-16	352,075	22,305	374,380	126,000*	.....	.....	248,380
1916-17	264,727	22,108	286,835	131,000*	.....	.....	155,835
1917-18	425,271	21,500	446,771	131,000*	.....	.....	315,771
1918-19	430,543	22,248	452,791	227,000*	.....	.....	225,791
1919-20	486,551	27,405	513,956	227,000*	224,850**	82,152	(20,046)
1920-21	516,414	35,129	551,543	227,000*	224,851**	31,206	68,486
1921-22	519,266	48,476	567,742	234,210	.....	125,828	207,704
1922-23	538,889	55,297	594,186	252,556	37,500	379,533	(75,403)
1923-24	571,172	46,519	617,691	261,328	60,637	343,004	(47,278)
Totals	$4,573,831	$ 300,987	$4,874,818	$1,852,094	$ 547,838	$ 961,723	$1,513,163

*Total expenditures for accident claims for period 1912 to 1920-21 apportioned by years.
**Total expenditures for operating deficits 1919 to 1920 apportioned by years. (Deficit.)

The last monthly statement of the Board of Public Works shows a balance in the Fund as of December 31st last, of $1,124,891. Against this are charged appropriations for extensions amounting to $635,918, and various sums "predicated for future extensions and betterments" amounting to $903,163—a total of $1,539,081—resulting in a "contingent deficit" of $414,190.

Method of Determining Depreciation Requirements

Many methods are used and proposed for calculating the depreciation requirements of street railway systems, and for making current charges against revenues to establish proper depreciation reserve funds. Practically all of these, regardless of the method or formula used, conform rather closely as to the amounts required.

Five different types or theories on writing off depreciation were studied: (1) the straight-line method, (2) the sinking-fund method, (3) the "reducing-balance" method, (4) the annuity method, and (5) the "equal-annual-payment" method, as proposed by the American Society of Civil Engineers in 1913.

Depreciation of street railway property was found to be set up, by all available data on hand, in three distinct types or methods. One method is that proposed by J. C. Thirlwall, railway engineer of the General Electric Company, on the basis of analysis of replacement costs of a large number of street railway properties throughout the country. This is based on the total capital assets depreciated at the rate of 3.2% annually.

A second method is that estimated by the Washington Public Service Commission, and applied to the Seattle Municipal Railway, which follows in part the plan proposed by the American Society of Civil Engineers. Four per cent annually of the cost of the "depreciable property" is set aside for depreciation. The "depreciable property" is calculated as 78% of the value of the whole property.

A third method is one proposed by the Board of Public Utilities of the city of Los Angeles, after a study of local transportation conditions, requirements and rates. The "depreciable property" is placed in ten groups or units; an average life is estimated for each, and an annual charge set up on the assumption that it will be re-invested at 6% and thus bring the sum up to its full amount. The annual depreciation charge is set up on the basis that approximately 78% of the property is "depreciable property," and that 74% of this is all that is replaced through the depreciation reserve, the balance being replaced as a maintenance charge.

Depreciation reserves may be set up on a unit basis, on a group basis, or as a single reserve for the composite property. The simplified "straight-line" method of depreciating property on the group basis or as a single reserve for the composite property seems to be the best. The fundamental purpose of a depreciation reserve is to care for property losses by physical or functional decay. Hence the method by which this may be done adequately, simply and with a minimum of accounting cost is the best.

TABLE 3 attached hereto, shows the application of the Thirlwall proposal (3.2% of total cost annually) to the Municipal Railway situation. On the basis of historical cost totalling $7,570,000 up to June 30th last, the application of this proposal indicates that the depreciation charge for the last fiscal year would have totalled $242,000 and that the accumulated Depreciation Fund up to last June 30th should have been $2,169,000. As replacement expenditures have totalled $136,000, the actual cumulative balance would have been $2,033,000.

TABLE NO. 3—DEPRECIATION REQUIREMENTS
On Basis of Thirlwall's Proposal
3.2% of Value, as Annual Charge—Based on Historical Cost

Year	Historical Cost	Annual Depreciation Charge	Accumulated Reserve
12-28-12 to 6-30-14	$.....	$41,896 / 83,793	$..... / 125,589
1914-15	5,034,971	161,119	286,808
1915-16	5,411,869	173,179	459,987
1916-17	5,519,232	176,615	636,602
1917-18	6,208,732	198,679	835,281
1918-19	6,606,409	211,405	1,046,686
1919-20	6,702,041	214,465	1,261,151
1920-21	6,730,750	215,384	1,476,535
1921-22	6,802,637	217,684	1,694,219
1922-23	7,267,837	232,570	1,926,789
1923-24	7,570,225	242,247	2,169,036

Using reproduction costs as of April, 1924, the value of the property on June 30th last, was $9,264,000. The Thirlwall proposal when applied to reproduction costs, as shown by the second part of TABLE 3, would have required a depreciation charge of $296,000 for the last fiscal year, and would have produced an accumulated Depreciation Reserve as of June 30th last, of $2,877,000—or, deducting depreciation expenditures, a reserve of $2,741,000.

3.2% of Value, as Annual Charge—Based on Reproduction Costs

Year	Index Number	Reproduction Costs	Annual Deprec. Charge	Accumulated Reserve
12-28-12 to 6-30-14	100	$.....	$ 62,007	$.....
	98	3,875,439	124,014	186,021
1914-15	101	7,427,592	237,682	423,703
1915-16	127	7,883,638	252,276	675,979
1916-17	177	7,959,866	254,715	930,694
1917-18	194	8,332,196	266,630	1,197,324
1918-19	206	8,499,221	271,975	1,469,299
1919-20	226	8,520,261	272,648	1,741,947
1920-21	147	8,549,257	273,576	2,015,523
1921-22	149	8,620,426	275,853	2,291,376
1922-23	155	9,053,062	289,697	2,581,073
1923-24	148	9,264,733	296,471	2,877,544

(Reproduction costs are estimated as of April, 1924 by using the index numbers of wholesale prices of all commodities, and applying the percentage of increase or decrease represented by these for any two years to the historical costs of Municipal Railway properties, as shown for such years in the City Auditor's reports.)

TABLE 4 shows the application to the Municipal Railway of the 4% charge on "depreciable property." Using historical costs, the "depreciable property" (78% of the cost of the whole property) totals $5,904,000 as of June 30th, 1924. Using the 4% factor, the depreciation charge for the last fiscal year would have amounted to $236,000, and the accumulated Depreciation Reserve at the end of 1923-24, to $2,083,000. Deducting depreciation expenditures already made, this would be reduced to $1,947,000.

TABLE NO. 4—DEPRECIATION REQUIREMENTS
4% Annual Charge, on **Depreciable** Property
On Basis of Historical Costs

Year	Historical Costs	Depreciable Property (78%)	Annual Depr. Charges	Accumulated Reserve
12-28-12 to 6-30-14	$.....	$.....	$ 40,849	$.....
	2,618,540	2,042,461	81,698	122,547
1914-15	5,034,971	3,927,277	157,091	279,638
1915-16	5,411,869	4,221,257	168,850	448,488
1916-17	5,519,232	4,305,000	172,200	620,688
1917-18	6,208,732	4,062,810	162,512	783,200
1918-19	6,606,409	5,152,999	206,120	989,320
1919-20	6,702,041	5,227,591	209,103	1,198,423
1920-21	6,730,750	5,249,985	209,999	1,408,422
1921-22	6,802,637	5,306,056	212,242	1,629,664
1922-23	7,267,837	5,668,912	226,756	1,847,420
1923-24	7,570,225	5,904,775	236,191	2,083,611

Using reproduction costs as of April, 1924, the "depreciable property" at the end of the last fiscal year totalled $7,226,000. Using the same 4% factor, as shown by the second part of TABLE 4, the depreciation charge for the last fiscal year would have totalled $289,000, and the accumulated Depreciation Reserve as of June 30th last, would have amounted to $2,805,000—or $2,669,000 if depreciation expenditures of $136,000 are deducted.

On Basis of Reproduction Costs

Year	Index Number	Reproduction Costs	Depreciable Property (78%)	Annual Depr. Charges	Accumulated Reserve
12-28-12 to 6-30-14	...	$.....	$.....	$60,456 / 120,913	$..... / 181,369
1914-15	101	7,427,592	5,793,521	231,740	413,109
1915-16	127	7,883,638	6,149,237	245,969	659,078
1916-17	177	7,959,866	6,208,695	248,347	907,425
1917-18	194	8,332,196	6,499,112	259,964	1,167,389
1918-19	206	8,499,221	6,629,392	265,175	1,432,564
1919-20	226	8,520,261	6,645,803	265,832	1,698,396
1920-21	147	8,549,257	6,668,420	266,736	1,965,132
1921-22	149	8,620,426	6,723,932	268,957	2,234,089
1922-23	155	9,053,062	7,061,388	282,455	2,516,544
1923-24	148	9,264,733	7,226,491	289,059	2,805,603

TABLE 5 shows the application to the Municipal Railway of the proposal of the Board of Public Utilities of the City of Los Angeles. On the basis of historical costs, the value of properties to be replaced through the Depreciation Reserve, as of June 30th, is calculated at $4,369,000 by the use of this formula. Using the 5.2% factor, the depreciation charge for 1923-24 would have been $227,000, and the accumulated Depreciation Reserve to June 30th last, $2,034,000—deducting depreciation expenditures, $1,898,000.

TABLE NO. 5—DEPRECIATION REQUIREMENTS

5.2% annual charge of replacement cost of depreciable property.

On Basis of Historical Costs

Year	Historical Costs	Depreciable Property (78%)	Replacements Thru Depr. Res (74% of 78%)	Annual Depreciat'n Charges	Accumulated Depreciat'n Reserve
12-28-12 to 6-30-14	$.....	$.....	$.....	$39,296 / 78,593	$..... / 117,889
1914-15	5,034,971	3,927,277	2,906,184	151,121	269,010
1915-16	5,411,869	4,221,257	3,123,730	162,433	431,443
1916-17	5,519,232	4,305,000	3,185,700	165,656	597,099
1917-18	6,208,732	4,842,810	3,583,679	186,351	783,450
1918-19	6,606,409	5,152,999	3,813,219	198,287	981,737
1919-20	6,702,041	5,227,591	3,868,417	201,157	1,182,894
1920-21	6,730,750	5,249,985	3,884,988	202,019	1,384,913
1921-22	6,802,637	5,306,056	3,926,481	204,177	1,589,090
1922-23	7,267,837	5,668,912	4,194,994	218,139	1,807,229
1923-24	7,570,225	5,904,775	4,369,533	227,215	2,034,444

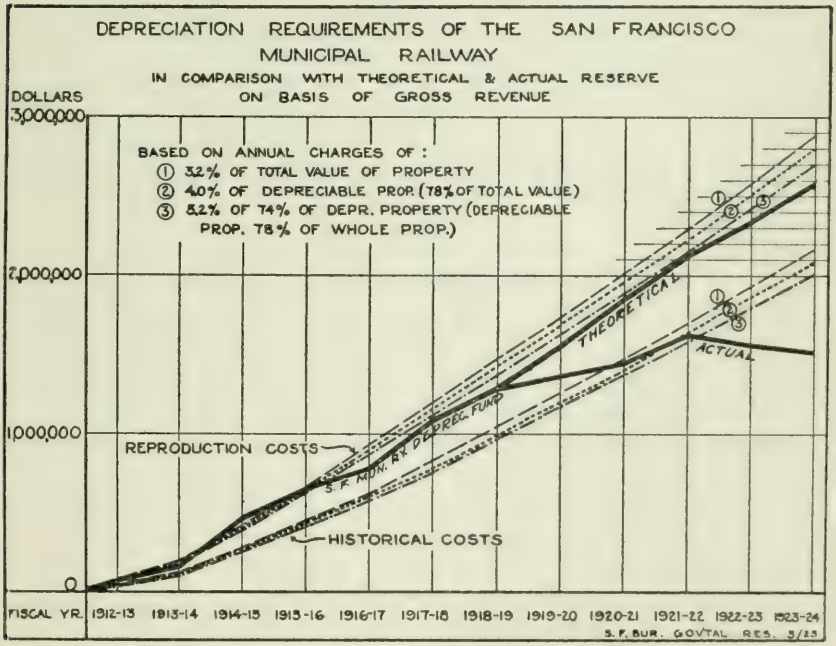
Using the reproduction costs as of April, 1924, the value of properties replaceable through the Depreciation Reserve, under the Los Angeles proposal, would be $5,347,000 as of last June 30th. At 5.2% annually, the 1923-24 depreciation charge would have been $278,000; the accumulated depreciation reserve to June 30th, 1924, $2,698,000—deducting depreciation expenditures, $2,562,000.

On Basis of Reproduction Costs as of April, 1924

Year	Reprod'n Costs	Annual Index Number	Depreciable Property (78%)	Replace'ts Through Deprec. Res. (74% of 78%)	Annual Depreciat'n Charges	Accumulated Depreciat'n Reserve
12-28-12 to 6-30-14	...	$.....	$.....	$.....	$ 58,159	$.....
	98	3,875,439	3,022,842	2,236,903	116,318	174,477
1914-15	101	7,427,592	5,793,521	4,287,205	222,934	397,411
1915-16	127	7,883,638	6,149,237	4,550,435	236,622	634,033
1916-17	177	7,959,866	6,208,695	4,594,434	238,910	872,943
1917-18	194	8,332,196	6,499,112	4,809,342	250,085	1,123,028
1918-19	206	8,499,221	6,629,392	4,905,750	255,099	1,378,129
1919-20	226	8,520,261	6,645,803	4,917,894	255,730	1,633,857
1920-21	147	8,549,257	6,668,420	4,934,639	256,601	1,890,458
1921-22	149	8,620,426	6,723,932	4,975,709	258,736	2,149,194
1922-23	155	9,053,062	7,061,388	5,225,427	271,722	2,420,916
1923-24	148	9,264,733	7,226,491	5,347,603	278,075	2,698,991

Need for Reconstructing Depreciation Reserve

A recapitulation of the data outlined above, and compiled in Tables 3, 4 and 5, is shown graphically on CHART 1 attached hereto. Also shown on the chart, for comparative purposes, is the *"theoretical"* Municipal Railway Depreciation Reserve, as detailed and compiled in Table 1 (18% of gross revenues, less bond redemption and accident claim payments), and the *actual* Municipal Railway Depreciation Reserve, (as shown in Table 2) further reduced by expenditures for operating deficits, additions and betterments, etc.



A further comparative analysis of the Municipal Railway Depreciation Reserve, with the data already referred to and tabulated herewith, and with other data considered in this study, but not submitted herewith in the form of detailed comparisons, is as follows:

COMPARISON, MUNICIPAL RAILWAY AND OTHER DEPRECIATION BASES

	Cumulative Depreciation Reserve Historical Costs	Reprod. Costs
Analysis of components of Municipal Railway Average 20-year life	$2,006,100**	$2,747,190**
Thirlwall	2,033,000	2,741,000
Wash. P. S. Commission—Seattle Railway	1,947,000	2,669,000
9 Utilities—ratio of maintenance to Deprec.	.....	2,564,000**
L. A. Board of Public Utilities	1,898,000	2,562,000
Cleveland—5c per car mile for maintenance (43%) and depreciation (57%)	1,897,074**	.....
Sinking Fund Basis—20-year life	1,501,977	.....
Municipal Railway	1,513,163*	1,513,163*

*Will be wiped out by pending appropriations.
**As of June 30, *1923.*

Analysis of the data in the above table, together with a study of the comparative data graphically shown on CHART 1, indicates that the Municipal Railway accumulated Depreciation Reserve is low; and, further, that if the balance shown is to be wiped out, through the expenditure of amounts already appropriated, the Railway will suffer in the future, unless the sums needed for future replacements are provided.

The Bureau of Governmental Research is of the opinion, from an analysis of all available data, that the requirements of the Depreciation Reserve Fund, as of June 30th next, the end of the current fiscal year, will approximate $2,900,000.

On this basis, the Bureau of Governmental Research respectfully recommends that present balances in the Depreciation Reserve Fund be conserved, and, that, in any proposed bond issue for extensions to the existing system, an adequate amount be included for the reconstitution of the Depreciation Reserve Fund.

Annual Appropriations for Depreciation

One of the problems confronting the Supervisors relative to Municipal Railway finances is the revision of the basis, or rates, for charging against the revenues of the Municipal Railway, a proper amount to be set aside to cover accruing depreciation. Two proposed ordinances have been referred to the joint Finance and Public Utilities Committees, one proposing a rate of 4% of *gross revenues,* equivalent to about $128,000 a year, the other proposing a rate of 3% of the *cost of the property,* (plus interest earned by the investment of the Depreciation Fund) equivalent to about $235,000 a year.

It is obvious, that, if the present method of arriving at a depreciation fund (18% of the gross receipts, less arbitrary deductions) should create

a fund somewhere near the needed sum, the result would be purely fortuitous. A more reliable basis for making additions to the Depreciation Fund is needed. Depreciation should be a fixed charge upon the property, not an amount varying with the business prosperity of the year.

The best basis for setting aside a reserve against depreciation is the expense to which the Railway will be put in making the necessary replacements. A sounder basis than the *original cost* of the property which depreciates, is the *reproduction* cost thereof. *Reproduction* cost is what the depreciation fund will eventually be used for.

The following table, compares the annual set-up for Municipal Railway depreciation—an average of $38,377 per year for the last four years—with amounts derived from the use of other data. These indicate that the annual charge against Municipal Railway revenues should approximate $280,000 or $290,000 a year.

Applying a flat rate of 4% of the cost of the property, exclusive of land, the annual charge would be $280,000 a year on an historical cost of approximately $7,000,000, and $340,000 a year on a reproduction cost of approximately $8,500,000.

COMPARATIVE ANNUAL DEPRECIATION APPROPRIATIONS

	On Basis of Historical Costs	On Basis of Reprod. Costs
Municipal Railway—Average, net, last 4 years	$ 38,377	$ 38,377
L. A. Board of Public Utilities	227,215	278,075
Cleveland	232,238*	.....
Washington Public Service Commission	236,191	289,059
Thirlwall	242,247	296,471
Municipal Railway—20-year life	247,100*	302,685*
Analysis of items and estimated life, Mun. Ry.	259,395*min.	.....
	393,804*max.	.....
Brooklyn	285,204*	.....

*As of June 30, *1923*.

There is common agreement that the Municipal Railway Depreciation Reserve Fund, as now built up by a theoretical 18% of the gross revenues, is improperly constituted. Many are of the erroneous opinion, however,—considering only the gross amount so derived, and overlooking the drafts thereon, and the deductions therefrom,—that the present basis produces too much money for "depreciation."

To the contrary. Analysis of the data and tables attached hereto will indicate: (1) That the annual sum retained for depreciation during the last four years averages only $38,377 a year, or only slightly in excess of *one-half of one per cent* per year of the *cost of the system;* and (2) that on the basis of practices and rates evolved from studies of many street railway systems throughout the country, the annual requirements for depreciation purposes approximate $287,000.

The Bureau of Governmental Research is of the opinion that depreciation requirements should be based on reproduction costs—the costs at the

present higher price level that will probably prevail for some time—and the price that railway officials will be confronted with when they are forced to buy the materials and equipment for replacing parts of the present system.

The use of reproduction cost factors, however, will introduce the necessity of continuous complicated accounting adjustments and details.

It is recommended, therefore, as a simpler method of arriving at the same result, that the annual depreciation charge against the revenues of the road be fixed at 4% of the historical cost of the property, less the cost of land.

Annual Appropriations to other Funds

It is also recommended that other funds be created to meet obligations heretofore paid from the so-called "Depreciation Reserve Fund."

The costs of accident claims, although approximately only 2% of revenues, have been unusually low. It is recommended that a fund be created for the payment of accident and damage claims, by a charge of 3% of the gross revenues of the Railway, and that the amounts paid into such fund be reserved for this purpose only, until a reserve fund of $100,000 shall have been built up, at which time if deemed necessary the rate can be reduced. These charges should be carried and shown as part of the operating expense of the Railway.

A bond redemption fund should be created, by the specification of specific sums, varying from year to year, to be set up out of the revenues of the Railway, in such manner as to meet the serial maturity of outstanding Railway bonds.

A surplus fund should be created by a charge of at least 3% of gross revenues, and built up until a balance of at least $200,000 is established. Such fund should be held and used for the purposes of a surplus fund, such as any going concern requires.

The Depreciation Fund and the other funds herein mentioned, should be established by ordinance, which should specify clearly the purposes for which each such fund is intended, and should require that each be used only and exclusively for the purposes for which it is created.

The City

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VOL. V APRIL, 1925 No. 5

Newark-San Francisco Transmission Line Revived

Cost $951,000 to $1,165,000

Line Useless Without Distribution System

The Coming Budget And Tax Rate

Mandatory Increases, $2,500,000

Other Probable Increases

Probable Tax Rate—$3.82 to $3.93

Agreement on Hetch Hetchy Power Disposal Basis

Proposed Restriction May Be Impracticable

$1,300,000 Saving To Taxpayers

Interim For Which Disposal Agreement Is Required

Issued by

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The City

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Newark-San Francisco Transmission Line Revived

The first long step toward the expenditure of millions for power distribution, in advance of any authorization by the people therefor, is again a live current issue. This comes in the form of a proposal to extend the Hetch Hetchy power transmission line into the city from its present terminal at Newark. It involves the expenditure of from $951,000 to $1,165,000, without any prospective return on this sizeable investment.

The report of the Citizens' Advisory Committee, herein elsewhere referred to, and which recommends a "transmission and distribution agreement," for the disposal of Hetch Hetchy power, concludes as follows: "In entering into such an arrangement it should, however, be stipulated that any agreement made shall not interfere in any manner with actions already taken by the Board of Supervisors for the acquistion of a municipal distribution system, *including a transmission line to San Francisco,* by purchase or original construction."

In an opinion, handed down on March 30th, the Superior Court issued an injunction restraining the city from exercising an option, which had expired, for the construction of towers for the Newark-San Francisco line. This was issued on the minor point in a taxpayer's application for an injunction, on the ground that the charter procedure relative to contracts had not been observed.

The major premise of the application—that the proposed expenditure was for power distribution, and was, therefore, an illegal expenditure of 1910 water bond funds—was denied. On this, the court ruled that the proposed power expenditure was an incident of the development of the water project, that by such expenditure the prospect of revenue from the

project was enhanced and thus a greater security created for Hetch Hetchy bond-holders, and that the taxpayers should have sought relief before the city became committed to the power project by heavy expenditures.

Cost $951,000 to $1,165,000

Following the Court's decision, the Supervisors directed the Board of Public Works to prepare plans and specifications, and to enter into a contract for the construction of the transmission-line towers.

At a meeting of the joint Finance and Utilities Committee on April 7th, after consideration of an estimate by the City Engineer requesting an additional $632,000 to complete water and power construction work now under way, it was voted to initiate proceedings under which $1,000,000 of 1924 Hetch Hetchy water bonds would be sold. It was proposed that part of the proceeds be used to buy construction equipment, now available in the Hetch Hetchy Mountain Division, and thus supply the $632,000 required by the Engineer.

The Utilities Committee Chairman opposed the proposed $1,000,000 bond sale and proposed the sale of $2,000,000 of bonds, so that, by the purchase of the equipment at its book value, (approximately $1,400,000)—and, by other transfers if legal—sufficient unencumbered funds would be available to construct the transmission line from Newark into San Francisco. The City Attorney is reported as having advised the Supervisors that such transfers cannot legally be made.

An estimate by the City Engineer was presented to the joint Committees showing a cost of $951,000 for a single circuit, and $1,165,000 for a double circuit line from Newark to San Francisco. Deducting $130,000 as the estimated value of wire on hand leaves a cost of from $821,000 to $1,035,000 to be financed.

Line Useless Without Distribution System

In view of the present unanimous agreement, and the pending negotiations, on the principle that the power can be legally disposed of through an agency contract, the wisdom of the proposed expenditure for extending the transmission line is not apparent. This investment of $950,000 to $1,165,000 will be of no benefit or usefulness in any plan now being considered for the disposal of Hetch Hetchy power through existing agencies. The expenditure will not add to the value of the power, will not add to the city's revenue from such power under an agency-disposal agreement, and will, on the other hand, add to the amount of Hetch Hetchy debt charges to be paid each year.

If, as the result of the valuation proceedings now being conducted by the Railroad Commission, the people authorize a bond issue for power distribution purposes, one of the existing lines from Newark to San Francisco can be taken over by the city. In such event, the proposed expenditure for a new line would be largely wasted. If the city cannot legally con-

demn and acquire a power line outside of the city, such a line could be constructed if, and after, the people authorize the bonds for such a line, and for the distribution system with which it would connect.

The productive use of the proposed line from Newark to San Francisco, depends on the acquisition of a municipal distribution system. This, in turn, depends on a two-thirds favorable vote of the people on a power bond proposition, and probable long-drawn out court proceedings to acquire possession of a system, if the people vote bonds therefor. The proposed construction, if prosecuted now, will, therefore, be unuseable for a lengthy period even should the voters approve a power bond issue next March. During such period, interest charges will amount to between $43,000 and $52,500 per year, and, depreciation charges will range between $24,000 and $50,000 annually.

The proposed construction is not needed to distribute the power, will not add to the value of the power if disposed of through the agency of local companies, and will be useless until and unless other elements of a distribution system that will cost millions of dollars are provided. Therefore, the businesslike and economical policy would be to postpone consideration of the proposed Newark-San Francisco transmission line until the people, by their vote at the coming power bond election, indicate whether or not they will supply the millions for a distributing system, without which the Newark-San Francisco transmission line will be useless.

The Coming Budget and Tax Rate

The increased tax rate that will be required to provide for municipal expenditures for the coming fiscal year has been the subject of much public discussion during the past few weeks. It is certain that the budget of proposed expenditures will show a heavy increase, although the probable amount of increase cannot as yet be determined. The total of departmental and legislative budget requests is estimated as $46,000,000, as compared with a budget for the current year of $27,185,000.

The Chairman of the Finance Committee has suggested, for public discussion, a 25 per cent flat increase in assessed valuation, in lieu of an increase in the tax rate; this on the theory that a low tax rate is a valuable advertising factor. This would in no way decrease the taxpayers' burden. The increased costs must be levied upon taxable property. From the standpoint of general public psychology, a special increase in assessments would tend to conceal or subordinate increased expenditures. Also, it would probably add to the taxpayers' burden, by producing more revenue than the threatened tax rate increase which it would be designed to offset. A 25 per cent increase in assessed values would be equivalent, approximately, to a $4.34 tax rate.

The continuation of the $3.47 rate last year was made possible only by the elimination from the budget of a portion of the mandatory bond

interest and redemption charges. These were financed by appropriations from non-tax funds. Approximately only $250,000 of such funds are available for the coming year, and this sum may be expended for Hetch Hetchy construction. Therefore, this portion of the coming budget and tax-rate increase, which normally would have been apparent last year, must be provided for by taxation in the coming year.

San Francisco's tax rate, on a "true valuation" basis, is nearly the lowest among the large cities of the country. A low tax rate, although urged as an attraction to new industries, is largely a myth as to its value in attracting new industries and new population to a city. The amount of local taxation is only one of the items in the overhead of industrial and commercial operations. It is usually less important than other advantages or disadvantages of interest to an industry, and which have far greater effect in attracting an industry to, or diverting it from, a city.

That which is received for that which is taken by taxation is of the greatest importance to those who pay the tax bills. An increase in taxation is of great importance from the standpoint of its relation to the previous tax burden. A sharp increase in taxation disturbs rental values and business and production costs, and is to be avoided.

Mandatory Increases, $2,500,000

The $3.47 rate, under which San Francisco has operated under for the last several years, financed a budget for the current fiscal year of approximately $27,200,000. Last year's assessment roll approximated $684,000,000, an increase of about $40,000,000 over that of 1923. This increase was the largest during the preceding twelve-year period.

Assuming the same amount of increase for 1925, the assessment roll will total approximately $725,000,000. At the current tax rate of $3.47, this valuation would produce approximately $1,420,000 of additional revenue; at a $4.00 tax rate, an additional revenue of about $5,265,000.

Last November the people, by the adoption of charter amendments, voted a mandatory increase in governmental costs, of $1,230,000 minimum, and a maximum which may exceed $1,500,000, exclusive of non-tax supported Municipal Railway costs.

Another mandatory increase in the budget for the coming year is the bond interest and redemption cost. Approximately $1,300,000 of such debt charges—which last year were financed by income from investment of idle bond funds, Spring Valley interest payments, appropriations from Hetch Hetchy Operative Revenues, and diversion of school and Relief Home bond premiums—must be included in the coming budget.

Other Probable Increases

Other items of increase which must be calculated are the average increase in governmental costs, and increases due to special items.

The increase in budgeted costs during the last three years has averaged

$905,000. This covers salary increases, additional policemen, firemen, teachers and other employees—items which, if properly established, are incidents of the city's growth and necessitated by such growth. With the pressure and sentiment for salary increases, as a by-product of the voted approval, last November, of police, fire and other increases, this average may be exceeded.

Street reconstruction, teachers' salaries and new school buildings, because of the larger amounts involved, may be enumerated as special increases. The Supervisors' Streets Committee is forcefully urging the need of $1,000,000 per year for street reconstruction, an increase of about $636,000. The Board of Education, having allocated the $12,000,000 of school bond money, is urging an annual appropriation of $1,250,000 on a pay-as-you-go school construction program. It requests also an additional $557,000 to provide for increases in teachers' salaries, for which item the teachers are requesting $900,000.

Probable Tax Rate—$3.82 to $3.93

These items, if provided for, presage a budget total of from $32,800,000 to $33,600,000, as compared with the current budget of $27,200,000. On this basis, and allowing for normal increases in the miscellaneous revenues of the city, this would require from $29,000,000 to $29,800,000 to be funded by taxation—and a tax rate, on an assessment roll of $725,000,000 of from $4.00 to $4.11.

Any revenue derived from the disposal of Hetch Hetchy power would reduce the necessary budget appropriation for debt charges, and would thus decrease the amount necessary to be raised by taxation. If, as estimated, a net income of $1,300,000, equivalent to 18c on the tax rate, can be developed from this source, the taxpayers would benefit by this amount, in the coming tax rate.

By such disposal, the prospective tax rate, to provide for all of the above items, and on the basis of a $40,000,000 increase in assessed values would range from $3.82 to $3.93.

Agreement on Hetch Hetchy Power Disposal Basis

The April 7th report of the Advisory Committee to the Mayor, which was subsequently accepted by the Board of Supervisors, furnishes a basis for official proceedings in the city's endeavor to arrange for the disposal of Hetch Hetchy power through the agency of the existing power companies.

It will be recalled that on February 24th the Board of Supervisors, by majority vote, adopted a resolution providing for the temporary disposition of the Hetch Hetchy power in accordance with the terms of the Raker Act, "provided that no proposition submitted shall involve the sale *to* any private corporation of electric energy for resale." This was opposed by the Advisory Committee, in that it did not prohibit disposal "through" any

private corporation for resale, and because of such opposition, was later vetoed by the Mayor.

The Advisory Committee, in its report of April 7th, now recommends a temporary "transmission and distribution agreement," whereby the city's power can be distributed over the lines of the local power companies, subject to certain specified conditions. The Supervisors, in considering the report of the Advisory Committee, designated the Mayor, the Chairman of the Finance Committee and the Chairman of the Utilities Committee, as a committee to negotiate a power-disposal agreement with the power companies.

Proposed Restriction May Be Impracticable

One of the conditions specified by the Advisory Committee is: "Those to whom Hetch Hetchy power is delivered must be listed as the city's customers during the life of the contract and must pay the legally established rates for power received, and regular reports must be made to the city of the amount collected from each of these customers, and of the amounts charged by the power company for such service rendered."

It is not as yet known whether or not this will be practical in application. On the basis of available legal opinions dealing with an agency contract, also the State Supreme Court decision in the Los Angeles case, (referred to in the March "CITY"), it does not seem to be required. Inasmuch as Hetch Hetchy power cannot be "labelled," the condition may be impossible of fulfillment. If a company's list of customers is one of its assets, this condition, requiring the free gift of such asset to the city, may be unacceptable to the power companies. If ultimately deemed essential by the city, it may, therefore, prove to be an obstacle to a power disposal agreement.

It can be said, however, that all groups now agree, in principle at least, that the power can be legally disposed of through the agency of one of the existing companies.

According to the City Engineer, Hetch Hetchy power will be ready shortly after May 1st. The Moccasin Creek plant on the Hetch Hetchy, with a capacity of 93,000 horse power, will produce a volume of power equivalent to about 40 per cent of all the power now used in San Francisco.

$1,300,000 Saving To Taxpayers

The most important angle in the present Hetch Hetchy power situation is the saving to taxpayers that will be affected by a proper plan for the disposal of the power. Hetch Hetchy debt charges to the end of the current fiscal year total $14,600,000, of which $8,600,000 represents interest. Relief from the tax burden for Hetch Hetchy debt charges, which relief was the prime factor in the power-development expenditures, should be the prime factor in the power-disposal plans.

According to the estimates of the City Engineer, supported by written statements from power company officials, Hetch Hetchy power has a value

of approximately $2,000,000 at Newark. The City Engineer estimates operation, upkeep and depreciation costs at about $700,000 per year. On the basis of a $2,000,000 gross return, this would leave over $1,300,000 a year as a net return to the city. This sum is equivalent to about 18c on the coming tax rate.

In the budget for the coming fiscal year, the sum of $2,750,000 must be provided to cover Hetch Hetchy bond interest and redemption. This is equivalent to 38c on the tax rate. If an agency contract can be agreed upon, on a $2,000,000 annual revenue basis, the taxpayers' burden for Hetch Hetchy debt can be reduced from 38c to 20c.

The only alternative to the use of existing agencies is to let the power go to waste. The city has no municipal system, nor any immediate possibility of acquiring or controlling one. The city, therefore, cannot distribute Hetch Hetchy power, even for its own municipal uses, without an agency arrangement with existing companies.

Interim For Which Disposal Agreement Is Required

It has been suggested that a power bond issue may be submitted to the people by March, 1926. This will require a two-thirds favorable vote to carry. If such a bond issue is voted by the people, there is still the probability of years of court proceedings before the city can acquire legal possession of a distribution system. If the power bond proposition is voted down, the acquisition of a municipal distribution system will be postponed indefinitely.

Therefore, the interim between the availability of the power, and the acquisition of a municipal distribution system is almost certain to extend over a period of years. If this interim should extend for five years, a power-disposal agreement would mean, in total, a taxpayers' saving of $6,500,000. It would also save upkeep and insurance costs of over $300,000 a year that would have to be met if the Hetch Hetchy power plant is not operated on a productive basis.

From the taxpayers' standpoint, an adequate revenue from Hetch Hetchy power is of particular importance at this time. The budget for the coming year will require a certain increase in the tax rate. As detailed elsewhere in this issue, the coming budget, without revenue from Hetch Hetchy power, may require a tax rate of from $4.00 to $4.11.

If Hetch Hetchy power is disposed of on a basis to return $2,000,000 to the city, $1,300,000 of this, equivalent to about 18c on the coming tax rate, will be available to reduce the taxpayers' burden.

In view of the admitted legality of the agency disposal of Hetch Hetchy power, the great value of this city-owned asset, and the heavy tax-increase with which the taxpayers are confronted, it would be an economic crime if a proper, legal and businesslike arrangement for the revenue-producing disposal of the power cannot be consummated in the very near future.

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The City

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The 1925-26 Budget

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Complete Budget Information Lacking

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The 1925-26 Budget

The budget of the City and County of San Francisco as adopted by the Board of Supervisors for the fiscal year 1925-26 amounts to $35,061,109, and is $7,875,773 in excess of the current year's budget. It is the largest the taxpayers have ever been called upon to fund and will cause an abnormal increase in the tax rate variously estimated as from 67c to 91c above the present rate of $3.47. The increase in the current budget, 1924-25, over that of the previous year, 1923-24, was $1,476,770.

The Board of Supervisors spent four afternoons and nights in consideration of the Finance Committee's report before the budget was passed to print, by a vote of 12 to 6, at an early hour Friday morning, May 21st. It was finally passed, May 29th, at a special session of the Board.

The Mayor has ten days from the final passage of the budget to either approve it or veto, in whole or in part, any item therein, but he cannot add to it. Fifteen votes of the Supervisors are required to overcome any such veto.

A majority of the Board voted down proposals by individual Supervisors for the elimination of items amounting to approximately $1,000,000. These included $800,000 for school building construction, $91,000 for the purchase of a building to be used as a municipal garage, $66,000 for a central storage warehouse, and $15,000 for beautification of the Civic Center.

Official requests for appropriations filed by the various departments totaled $45,863,000, an increase of $18,678,000 over budget allowances for the current year, and requests by various organizations for improvements

throughout the city amounted to several hundred thousand dollars additional. The Finance Committee in its report to the Supervisors disallowed over $10,000,000 of these requests.

Principal Increases

The unusual increase this year is made up in the following manner: Mandatory increases voted by the people at the last election $1,350,000, improvements $1,042,000, bond interest and redemption $993,000, school teachers' salary increases $957,000, school buildings $800,000, school operation $559,000, street reconstruction and repair $526,000, elections $200,000, additional police $167,000, tax judgments $137,000, street cleaning $118,000, orphans' aid $83,000, publicity and advertising $70,000, street lighting $35,000, and salary increases $338,000. The balance, $500,000, is scattered through the various departments and covers new activities and the normal increase brought about by the city's growth.

If so desired no doubt these increased appropriations could have been cut, but there is little in them that could be eliminated this year that would not have to be provided in the future. It is this policy of putting off from year to year, in order to maintain a $3.47 tax rate, the appropriation of funds for improvements and services necessary to keep pace with growth and changing conditions, that is in the main responsible for the unusual increase confronting the taxpayers at the present moment. The Bureau, believes, however, that the present cost of operating the city government can be reduced by reorganization and changes in procedure.

Probable Tax Rate

The tax rate is not required to be fixed until the third Monday in September, and cannot be estimated with any degree of accuracy until the amount of the assessment roll, which will not be completed until some time in July, is known, and until the amount of revenue to be derived from the Hetch Hetchy power crop is definitely determined.

Assuming, however, that the increase in the non-operative assessment roll (for City and County purposes) will approximate the average increase over the last two years, and that an agreement will be entered into for the marketing of Hetch Hetchy power, and that the annual revenue from this will amount to $1,300,000 net, a tax rate of $4.14 will probably be required to fund the budget. This would be an increase of 67c over the current year's rate of $3.47.

A superficial examination indicates that unless there is also an abnormal increase in the assessment roll, there is grave doubt as to whether the budget as adopted by the Supervisors can be funded within the charter tax limitation. The Chairman of the Finance Committee of the Board of Supervisors during the departmental budget hearings suggested a horizontal increase of 25 per cent in assessed valuations for the purpose of keeping

the tax rate down. Opposition to this proposal has developed, however, and it is improbable that it will be carried out.

While such a sharp increase in the tax rate in any one year is more alarming and more difficult to absorb than an equal increase spread over several years, the fact that a 60c increase applied at the rate of 15c each year for four years would be cumulative and in the aggregate amount to $1.50 actually levied during that period of time is very often lost sight of.

Mandatory Increases

Mandatory increases to the budget voted by the people amount to approximately $1,350,000. The principal items in this total are salary increases for the Police Department $389,000, salary increases for the Fire Department $376,000, teachers' retirement fund $265,000, special tax for playgrounds $90,000, operation of Spreckels' Memorial $70,000, and operation of de Young Museum $70,000. There is also an increase of $30,000 for salaries of elective officials. The charter amendment authorizing this increase places the fixing of these salaries, formerly specified in the charter at fixed amounts, in the hands of the Board of Supervisors, and sets the maximum at $8,000 each per annum. The Supervisors raised them all to the maximum. The Auditor, County Clerk, Coroner, Recorder, Tax Collector and Treasurer were increased from $4,000 to $8,000, and the City Attorney and District Attorney from $5,000 to $8,000. The voting of increased salaries to the firemen and policemen automatically increased their pensions. The increase in these pension appropriations amounts to $58,000. The Bureau estimates that the actual requirements for this purpose will be found to be at least double this amount.

The increase for bond interest and redemption amounts to $993,457. During the current year $620,000 from the Hetch Hetchy Operative Revenue Fund, earnings from the Hetch Hetchy Railroad, etc., $196,000, premium on school bonds, and $91,000, premium on Relief Home bonds, and some revenue from the reinvestment of idle bond funds, were transferred to the bond interest and redemption fund to redeem and pay interest on outstanding bonds. This relieved the current tax levy to the extent of nearly $1,000,000. These funds have been used up and idle bond funds materially reduced during the year making it necessary to levy a tax for the coming year to cover practically the entire amount of bond interest and redemption that will become due and payable.

Streets and Improvements

Appropriations for special improvements are $1,042,000 in excess of those for the current year. The principal increases are for Civic Center and War Memorial land $250,000, extension of main sewers $175,000, Tubercular Sanitarium in San Mateo County $200,000, Van Ness Avenue exten-

sion $130,000, Bernal Cut $100,000, Municipal garage building $91,000, and central storage warehouse $66,000.

The total appropriation for permanent improvements, other than school buildings and parks and playgrounds amounts to $2,275,000, most of which is for the completion of projects, started in previous years, such as the Civic Center, golf links, Fleishhacker swimming pool, Kezar Stadium in Golden Gate Park, Tubercular Sanitarium, Aquatic Park, etc., or for projects previously approved by the Supervisors, such as the extension of Van Ness Avenue.

The appropriation of $742,450 for the reconstruction of streets is more than double that for the present year. The city has not kept pace with the rapidly increasing traffic and its effect upon the city's 530 miles of streets. Appropriations for this purpose, during the last six years have averaged but $344,000 annually, a totally inadequate sum. The City Engineer estimates that the city is from $2,000,000 to $3,000,000 behind in its street reconstruction program, and the Chairman of the Streets Committee requested $1,000,000 in this budget.

Schools and Teachers' Salaries

The appropriation for school building construction is $200,000 short of the annual amount promised by the Supervisors prior to 1923 when a bond issue of $12,000,000 was voted by the people to catch up with school building needs. It was understood at that time that an appropriation of $1,250,000 would be made in each year's budget, $250,000 of which was to cover the repair and maintenance of school buildings, and the balance, $1,000,000 was to construct new schools which are necessary each year to care for the normal increase in school attendance.

In the 1923-24 budget the Supervisors appropriated but $500,000 for these purposes, and in the current year's budget the appropriation was reduced to $250,000, which was barely enough to cover the repairs to school buildings, and left nothing for the construction of new schools. The Board of Education asked that the amount be increased to $1,500,000 for 1925-26, but the Finance Committee recommended $1,050,000 and the Board of Supervisors approved this amount.

Prior to the consideration of the budget by the Supervisors the school teachers launched a campaign for an increase in the salaries of the 2,600 teachers who will be employed in the School Department during the next year. The Board of Education in its budget request to the Supervisors asked for $557,000, and stated that this amount together with other increases allowed in previous years, since 1914, would be equal to the increase in the cost of living over the same period of time. The Finance Committee approved this request in its original report.

The teachers appeared at the public budget hearing before the Supervisors and presented arguments for an additional $400,000. In view of the overwhelming sentiment in favor of this, which developed among the individual Supervisors at the hearing, the Finance Committee so amended its report and the amendment was approved by the Board.

The $957,000 will, according to the records of the Board of Education, raise the average salary from $1875 to $2249 as compared with the $2400 voted by the people at the last election for policemen and firemen.

In addition to the $800,000 increase for school buildings, and $957,000 for teachers' salary increases, $559,000 in excess of the current year's appropriation was allowed the schools for additional teachers and the general operation of the department. The total increase in the appropriations for the schools for 1925-26 over 1924-25, therefore, amounts to $2,316,000.

Miscellaneous Changes

An important change in this budget provides for the reorganization of the City Attorney's office. The present organization consists of three assistant attorneys at $4200 each, three at $3000 and one at $2400 in addition to the City Attorney and the necessary clerical help. The custom has been for the assistant attorneys to engage in private practice and to devote but part of their time to the city's business. In the reorganization plan two assistant attorneys and the chief clerk are eliminated, two assistant attorneys are retained at $7200 each, one at $6000, and two at $3000 each, with the understanding that they will devote their entire time to the office.

Judgments against the city aggregating approximately $1,000,000 for the return of taxes illegally levied in past years and for which writs of mandate have been issued by the Supreme Court, are being liquidated in ten annual installments, plus interest at 7 per cent per annum. No appropriation was made in the 1924-25 budget for this purpose but a tax was levied for the necessary amount later when the tax rate was fixed. The appropriation of $137,000 for "tax judgments" in the 1925-26 budget, therefore, is an increase over the current year's budget, but not over the current year's expenditure.

Salary Increases and the Need for Standardization

Encouraged, no doubt, by the sentiment of the people in voting increased salaries to the policemen and firemen at last November's election, the Supervisors allowed salary increases amounting to approximately $338,000, in excess of the 1924-25 budget, and affecting about 1,400 employees. Approximately $128,000 of these increases were allowed in the salary ordinance adopted in July, 1924, immediately after the 1924-25 budget was passed, and during the current fiscal year; $102,000 was recommended by the Finance Committee in its report to the Supervisors and the balance,

$108,000, was accepted by the Finance Committee in its amended report from among increases totaling over $200,000 proposed by individual Supervisors during consideration of the budget. This last amount was more than offset, however, by reductions in the various Bureaus of the Board of Public Works amounting to a total of $143,000 which were recommended at the same time by the Finance Committee and approved by the Board. These reductions eliminated 40 men, 10 trucks and certain equipment items and affected appropriations for materials and supplies, but left forces considerably in excess of those allowed for the current year.

The attempt by the individual members of the Board to raise the salaries of numerous employees over and above those recommended for an increase by the Finance Committee is an annual occurrence. This and the salary fixing procedure, as a whole, are subjects of much unfavorable comment.

Under the present system the Supervisors do not have the information necessary for the equitable fixing of salaries, and the granting of salary increases is based more on the acquaintanceship and persistence of individuals or groups and on titles, which in many cases have little bearing on the work performed, than on the duties and responsibilities of the employee.

Recognizing the defects of the present salary fixing methods and the inequalities which are bound to exist under the circumstances and which tend to undermine the morale of the personnel, the Bureau for several years has endeavored to bring about the scientific classification of employments and salary standardization.

Through cooperation between officials, organizations representing the employees, and the Bureau, a charter amendment providing for employment classification and salary standardization was placed on the ballot and adopted by the people at the last election, but so far no definite steps have been taken by the Supervisors to carry this mandate of the people into effect.

The Civil Service Commission requested an appropriation of $5,000 for making the necessary study and report and the Bureau offered to assist by placing a competent man at the disposal of the Commission, but the Finance Committee did not recommend an allowance for this work and no appropriation for it was placed in the budget.

Complete Budget Information Lacking

The Bureau has in the past and must continue to point out the lack of information absolutely essential for the proper consideration of the budget by the Supervisors and the public. The report of the Finance Committee which, with minor changes, becomes the official budget is a list of appropriations only and but one side of the story. It should contain estimates of miscellaneous revenues from sources other than taxation which amount to over $4,000,000, and should give the balance necessary to be raised by taxation.

More time should be allowed between the date of submission of the budget report to the Board and the date of the public hearing. The Finance Committee filed its report with the Board on Monday afternoon, May 11th, and the public hearing was set for Wednesday, May 13th, at 10 a. m., leaving but one day for public scrutiny.

The Bureau has also urged the budgeting of all revenues and expenditures rather than a portion of them. The total of the city's expenditures for the ensuing year, will probably exceed $50,000,000, only $35,000,000 of which are budgeted. The difference is made up of expenditures from bond funds and the county road fund and for the operation of the Municipal Railway, Auditorium, etc., which could and should be budgeted, as are other activities, so that there might be a complete and comprehensive picture of the city's financial program.

COMPARATIVE BUDGET ALLOWANCES
Fiscal Years 1924-25 and 1925-26

	1924-25 Budget Allowance	1925-26 Budget Allowance	Increase
Legislative, Supervisors	$148,600	$162,580	$13,980
General Departments	625,380	691,240	65,860
Gen. and Misc., incl. Supplies	341,600	443,500	101,900
Legal Departments	194,132	219,860	25,728
Judicial Departments	495,406	568,528	73,122
Dept. of Elections	325,230	524,380	199,150
Street Lighting	590,000	625,000	35,000
Police Department	2,555,364	3,165,108	609,744
Fire Department	2,778,853	3,222,182	443,329
Department of Electricity	182,500	224,970	42,470
Public Works—Gen. and Engrg.	397,039	436,667	39,628
Public Buildings—Maint. and Rep.	446,650	505,330	58,680
Street Repair and Reconstruction	744,570	1,270,955	526,385
Street Cleaning	489,370	607,600	118,230
Sewer Repair and Cleaning	258,050	261,520	3,470
Health Department—General	420,508	510,570	90,062
Relief Home	336,818	387,737	50,919
San Francisco and Isolation Hospital	843,510	923,230	79,720
Charities (orphans, widows, etc.)	894,820	978,500	83,680
Corrections (jails, probation, etc.)	301,790	368,216	66,426
Emergency Hospitals	168,145	192,520	24,375
School Department	5,438,230	6,954,477	1,516,247
Public Library	242,700	262,500	19,800
Parks, Playgrounds and Amusements	995,472	1,260,000	264,528
Pensions	804,000	1,154,700	350,700
School Buildings and Land	250,000	1,050,000	800,000
Other Permanent Improvements	1,232,820	2,275,003	1,042,183
Bond Interest and Redemption	4,683,779	5,677,236	993,457
*Tax Judgments		137,000	137,000
Total	$27,185,336	$35,061,109	$7,875,773

*Provided for in tax rate but no appropriation made in the 1923-24 budget.

6-3-25

The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

VOL. V JUNE, 1925 NO. 7

The Hetch Hetchy Temporary Power Disposal Agreement

Mayor's Advisory Committee Recommendations

Negotiations With Power Companies

Supervisors' Power Committee Divided

Power Prices

Terms and Conditions of the Contract

Agreement Pronounced Legal

Agency Agreement Only Solution

Power Revenue Will Reduce Tax Rate

Bureau Notes

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Jas. Irvine
J. S. Lamson
John H. McCallum
Clarence M. Oddie
Samuel Pond
A. Sbarboro
Jessie H. Steinhart
W. T. Sesnon

William H. Nanry . . . . . *Director*
Mark H. Gates . . . . . *Secretary*

The Hetch Hetchy Temporary Power Disposal Agreement

The Board of Supervisors passed to print an ordinance authorizing the Board of Public Works to enter into a contract with the Pacific Gas & Electric Company, for the temporary disposal of the Hetch Hetchy power output, after a fourteen-hour special session Friday, June 19th, by a vote of 11 to 7. The measure was finally passed by the same vote on June 29th. The terms of the contract, agreed to by the Board of Supervisors, and the company, provide for approximately $2,000,000 annual revenue to the city, based on the average rate for power charged by the company during 1924. The contract is temporary in nature, being a "day to day" agreement, revocable by either party, and subject to immediate cancellation by the Secretary of the Interior if found to be illegal.

The city has completed the Moccasin power house at Hetch Hetchy, and a transmission line from the power house to Newark, and is ready to produce electrical energy to the extent of 460,000,000 kilowatt hours annually. The city has no distribution system or other means of disposing of this power, and the question at issue was whether the city would enter into an agency agreement with an existing company for the temporary disposal of this energy, or allow it to be wasted until such time as the city acquires a distribution system of its own.

Mayor's Advisory Committee Recommendations

The report of the Mayor's Hetch Hetchy Advisory Committee dated April 7, 1925, recommended that, "if possible, an arrangement be made

with the local power companies to transmit and distribute the city's Hetch Hetchy power crop in accordance with the restrictions hereinabove set forth." Some of the restrictions contained in the report were that the agreement must be of a temporary character, and must provide for its ready discontinuance at the request of the city upon the acquisition of a municipal distribution system, and that those to whom Hetch Hetchy power is delivered must be listed as the city's customers, the company furnishing regular reports to the city of the amount collected from each for power, and the amount charged by the company for service rendered.

After negotiating with the Pacific Gas & Electric Company, the Advisory Committee reported to the Mayor on May 26th, that it had been unable to reach an agreement with the company.

Negotiations With Power Companies

A special committee, consisting of the Mayor, the Chairmen of the Finance Committee and the Public Utilities Committee of the Board, was appointed by the Board of Supervisors, April 13th, to negotiate for the disposal of the power. This committee, with the assistance of the City Engineer and the Chief Assistant City Attorney, opened negotiations with the local power companies and found, but one company, the Pacific Gas & Electric Company, in a position to transmit and distribute the annual output from the 70,000 kilowatt plant. The only other company operating in San Francisco, the Great Western Power Company, did not have the capacity to distribute that amount of power. The committee, after holding many meetings with officials of the Pacific Gas & Electric Company, instructed the Assistant City Attorney to draw up an agreement which was transmitted to the company.

At the request of the Board of Supervisors for information, Monday, June 15th, the Mayor reported that 67 amendments had been submitted by the company that afternoon, most of which were of a technical nature. The principal objection raised by the company was to the amount asked by the committee, as the city's share of the proceeds from the power, namely, $2,583,000 per year. The company insisted that the $2,000,000 per year offered by it in September, 1923, was as much as the company could possibly pay for the city's power output. The Mayor advised the Board that as soon as the committee reached an agreement with the company, a special meeting of the Board of Supervisors would be called to approve the contract.

Supervisors' Power Committee Divided

At the special meeting of the Board of Supervisors called by the Mayor for Friday morning, June 19th, the proposed contract agreed upon by the special committee and the Pacific Gas & Electric Company, except as to

the amount of revenue the city should receive, was submitted to the Board of Supervisors.

Two members of the committee, the Mayor in a strong message to the Board, and the Chairman of the Finance Committee, in a written statement, urged the approval of the proposed agreement and the acceptance of the amount offered, on the grounds that the contract protected the city's rights, that all attempts to secure a higher figure had failed, and that it was out of the question to allow the power to be wasted.

The Mayor in his message to the Board, stated, "I submit to you herewith an agreement unanimously concurred in by all parties, including your committee which, in our unanimous opinion, fully protects our rights under the Raker Act, preserves the policy of the city under its charter of municipal ownership of its public utilities, and is unanimously agreed to as to form. The question, therefore, which confronts your Honorable Board is the question of the amount of revenue the city should receive from the temporary disposal of energy developed at the Moccasin Creek power plant . . . After the hardest trading, the result is that the highest return the city can receive from the Pacific Gas & Electric Company is approximately $2,000,000 per annum, and on this price your committee is divided."

A statement was submitted by the third member of the committee, the Chairman of the Public Utilities Committee, in which he opposed the approval of the proposed contract on the grounds that $2,000,000 per year was not sufficient return for the power output, and that the approval of the Secretary of the Interior should be sought before approval of the contract by the Board of Supervisors.

The statement of the Chairman of the Public Utilities Committee said in part, "I take the stand that a 3 to 1 ratio is entirely too much to allow for distribution service alone . . . By adopting a more suitable and customary ratio, that of 35 per cent to the city and 65 per cent to the distributor, I arrived at the figure of $2,583,000." The contract approved by the Supervisors provides that, the income from the Hetch Hetchy power shall be divided, 73.065 per cent as the company's share of the gross revenue, and 26.935 per cent to accrue to the city.

Power Prices

The Mayor, in support of his recommendation for the acceptance of the $2,000,000 figure, submitted certified copies of contracts filed with the Railroad Commission and now in force and effect, which showed that prices paid for power were below that to be received by the city.

These contracts between the Pacific Gas & Electric Company and the Snow Mountain Water-Power Company; the Turlock Irrigation District and the San Joaquin Light & Power Corporation; the Merced Irrigation

District and the San Joaquin Light & Power Corporation; the California-Oregon Power Company and the Pacific Gas & Electric Company; now in existence, extending over periods of time, provide a lower rate per kilowatt hour than the city's agreement. The rates range from 4¼ to 4½ mills per kilowatt hour, while the city will receive 5 mills.

Statements were made to the effect that other contracts are in existence with higher rates per kilowatt hour than the 5 mills offered for the city's power. These contracts, it was explained, however, usually entail standby service rather than a continuous supply, the producer being ready at all times to supply a quantity of power upon demand by the purchasing company, and in other cases, the power is generated by steam plants, the expense of generation being in excess of one cent per kilowatt hour. The proposed contract between the city and the Pacific Gas & Electric Company requires the company to take the entire output of the Moccasin plant, less line losses and such portion as the city shall retain for specified purposes.

Terms and Conditions of the Contract

The preamble to the terms of the contract approved by the Supervisors, states, that the city has now completed the construction of the Moccasin power plant with a rated capacity of 70,000 kilowatts, capable of producing approximately 460,000,000 kilowatt hours of electric energy annually; that the city has also completed the construction of a transmission line to Newark, of sufficient capacity to transmit and deliver to that point approximately 420,000,000 kilowatt hours after allowance for transmission losses, that the city has not yet constructed or acquired a transmission line from Newark to San Francisco or a distribution system for utilizing the Hetch Hetchy power output, so that pending the construction or acquisition of a municipal distribution system, which will require the submission of a proposition to vote bonds to provide money for that purpose, the city must either allow the electrical energy to go to waste, or enter into a temporary agreement with the company.

The agreement also recites that, the statistical and financial records kept by the city and the company show that the average transmission and distribution losses of energy from the Newark substation of the company to consumers' meters in San Francisco is 24 per cent, and that 2.383 cents is the average revenue per kilowatt hour received by the company in San Francisco during 1924 under existing rates.

Briefly, the terms of the contract agreed to by both parties is as follows:

1. The city employs the company and the company accepts employment as temporary distributor of the electric energy to be generated at the Moccasin Creek power house . . .

2. The company agrees to accept the entire energy output of Moccasin

plant, at not more than 75 per cent monthly load factor, less transmission losses and such portion as the city shall retain for specified purposes.

3. The company agrees to install meters and connecting equipment at Newark between the city terminal and the company system.

4. In order to arrive at the amount which should be realized by the city for its Moccasin energy, it is assumed in the agreement that of the energy delivered by the city at Newark, there will be substation and distribution losses of 24 per cent, and that, therefore, 76 per cent should be taken as the amount possible of delivery to consumers, and that inasmuch as the average revenue received by the company from consumers during 1924, under existing rates, in San Francisco, amounted to 2.383 cents per kilowatt hour, such average revenue should be applied to 76 per cent of the energy to be consigned and delivered by the city to the company at Newark.

5. The city shall receive, in monthly installments, 26.935 per cent of 2.383 cents per kilowatt hour for 76 per cent of the energy delivered by it to the company at Newark, and the company shall receive 73.065 per cent thereof.

6. In the event of the refusal or failure of the company to take the available output of the Moccasin plant deliverable at Newark, then the amount which the city could have delivered shall be the basis of computing such monthly payment.

7. If the present rates for electric energy in San Francisco be increased or decreased, the amount to be retained by the company and the amount to be paid to the city shall be proportionately increased or decreased.

8. It is expressly recognized that the contract is a temporary arrangement during the period that must elapse before the city can construct or acquire a distribution system.

9. The contract may be terminated at any time by either the city or the company upon one day's previous notice in writing.

10. The contract is subject to immediate cancellation upon request or demand of the Secretary of the Interior, should he hold the agreement violates any provision of the laws of the United States in general or the Raker Act in particular.

Agreement Pronounced Legal

Analysis of the terms and conditions of the contract indicates that, it is in conformity with existing legal opinions on the subject. The following is from an opinion rendered by the attorney for the Chamber of Commerce: "A contract should come within the clear terms of an agency agreement, under which the gross revenue of the city would be dependent on the rates charged, and the return to the agent for its services would be in the nature of a fixed fee or a unit price per unit of power handled."

"A contract should be definitely based on the interim that is expected to develop, and should be terminable by the city upon an agreed period of notice, after the city can fix the date on which it can secure possession of its own distribution facilities."

The agreement was drawn by and has the approval of the city's legal advisor, and has been pronounced to be in conformity with the Raker Act and legal requirements.

Agency Agreement Only Solution

At the present time, the city is engaged, through the State Railroad Commission, in the evaluation of the two local privately-owned distributing systems. The date when these evaluations will be completed and a price fixed by the Railroad Commission is not definitely known, but it is at least some months away. When these proceedings are completed, if the city and the companies fail to come to an agreement as to price or for any other reason the companies refuse to sell their systems to the city, it will be necessary, if the city desires to purchase, to resort to condemnation proceedings which may, in the light of experiences in other cases, take years to settle.

Acquisition of a distribution system, either by agreement or through condemnation, will require the submission to the people of a proposition to vote a bond issue for that purpose. This in itself will consume several months, and will require a two-thirds favorable vote to carry. If the bonds are defeated the acquisition of a distribution system by the city will be indefinitely postponed.

Construction of an independent system under present competitive conditions, is not practical, as the City Engineer has pointed out in his report of September 11, 1923. The City Engineer stated that, "as between the construction of an independent distributing system and the acquisition of the existing systems, there can be, I believe, no argument in favor of constructing an independent system in a competitive field, as against the acquisition of the existing systems with their developed markets."

With the certainty that an interim of many months and probably years must elapse before the city can acquire a distribution system of its own, and with a large power crop now available for delivery by the city at Newark, an agency agreement for the temporary disposal of the power through the system of the one local company equipped to transmit and distribute the output of the city's plant, was the only solution to the problem.

Power Revenue Will Reduce Tax Rate

The taxpayers are faced with an abnormal increase in the tax rate to fund the $36,000,000 budget adopted by the Supervisors for the fiscal year commencing July 1st, which is $8,000,000 in excess of the budget for

the year just ending. The annual cost of operating the Moccasin plant is estimated by the City Engineer at $350,000. All other expenditures chargeable against the power project, such as insurance, depreciation, bond interest and redemption, etc., will have to be met irrespective of whether or not the plant is operated and the power disposed of. There will, therefore, be approxiamtely $1,650,000 of the $2,000,000 accruing to the city from the disposal of the power which can be applied to these charges, thus reducing the tax rate by approximately 22 cents.

Bureau Notes

The third annual dinner meeting of the Bureau membership was held at the St. Francis Hotel, Wednesday evening, May 27th, 1925. Nearly two hundred of the Bureau members attended.

Mr. E. Clarence Holmes, Chairman of the Board of Trustees, and Mr. Wm. H. Nanry, Director, reported on the activities of the Bureau during the past year, and outlined the program for the future.

Addresses were made by Professor Paul Cadman of the University of California, Mr. H. Clay Miller, president of the Chamber of Commerce, Mr. George Boardman, President of the San Francisco Real Estate Board, and Mr. H. J. Brunnier, Chairman of the Municipal Affairs Committee of the Chamber of Commerce.

The following were elected to the office of Trustee to fill vacancies created by the expiration of terms: Messrs. Selah Chamberlain, Paul Eliel, James Irvine, John H. McCallum and Samuel Pond.

Mr. Wm. H. Nanry, Director of the Bureau, with his family is enjoying a much needed vacation in the Sierras. Mr. Mark H. Gates, Secretary and Assistant Director is in charge of the Bureau during Mr. Nanry's absence.

The City

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"An incorporated non-partisan citizens' agency to study public business, co-operate with officials and specifically work for economy and efficiency in municipal affairs."

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The 1925-26 Tax Rate

An estimate, as accurate as can be made at this time, with the incomplete information at hand, indicates that a tax rate of $4.12 on each $100 of assessed valuation of real estate, improvements and secured personal property, will be required to fund the 1925-26 budget, as adopted by the Board of Supervisors last May.

The Supervisors are not required to fix the tax rate before the third Monday in September. It is probable, however, that the tax rate ordinance will be adopted prior to that time. The exact amount of the assessment roll will be known early in August, and the approximate amount the city will receive from the disposal of Hetch Hetchy power and all other information essential in fixing the rate should be available shortly thereafter.

The Finance Committee of the Board of Supervisors in submitting its budget report for this fiscal year, contrary to past practises, did not forecast the probable tax rate, but left it open to speculation on the part of officials and the public alike.

The tax rate this year is dependent upon four factors: (1) the estimated budget requirements; (2) the amount of miscellaneous revenue the city will receive from fees, fines, licenses, state aid, etc., and this year from the disposal of Hetch Hetchy power; (3) the amount that will be realized from applying last year's rate of $3.47 to the assessed value of unsecured personal property; and, (4) the assessed value of real estate, improvements and personal property secured by real estate.

By deducting from the total budget requirements the estimated amount of the miscellaneous revenue to be applied to the budget, and the amount of the tax on unsecured personal property, the total of the tax levy is

determined. This amount divided by the assessed value of real estate, improvements and secured personal property produces the tax rate.

In conformity with a constitutional amendment adopted last November, unsecured personal property to the value of approximately $86,000,000 is taxed at the previous year's rate, instead of at the current year's rate as in the past. Taxes on this class of property, personal property unsecured by real estate, are collected by the Assessor before the tax rate for the year is fixed. In the past, the rate for the previous year was first applied and an additional collection or a refund was made later, depending upon whether the rate when fixed was higher or lower than the previous year's rate. In view of the fact that there will be an abnormal increase in this year's tax rate over that of last year, this change in the tax procedure will have the effect of increasing the rate on real estate, improvements and secured personal property about 8 cents above what it would be under the old law.

The total amount of the budget to be funded is $35,060,509. This is $7,875,173 in excess of the budget for the last fiscal year. There is some question as to whether this amount can be funded within the charter tax rate limitations.

Based on incomplete returns, the Bureau estimates miscellaneous revenue receipts for 1925-26, exclusive of Hetch Hetchy power revenue, will amount to approximately $4,300,000. Allowing $150,000 for delinquent taxes and $150,000 for leeway, reduces this figure to $4,000,000.

An accident at the Moccasin Creek power plant has delayed the delivery of Hetch Hetchy power for distribution by the Pacific Gas & Electric Company. There is no certainty as to just when partial delivery will commence or when the plant will be in condition to produce the maximum output, but for the purpose of this estimate it is assumed that the plant will run at two-thirds capacity during August, and at full capacity commencing September first. According to the provisions of the contract entered into by the City and the Company, the revenue to be received by the City from the power will amount to approximately $2,000,000 per year. Estimating no delivery during July, and delivery of but two-thirds of the normal output during August, the $2,000,000 will be reduced to $1,777,778. From this must be deducted the expenses for operation of the plant, stated by the City Engineer as $350,000, leaving a balance of $1,427,778, which, if applied to bond interest and redemption charges, will reduce the tax rate by 22 cents.

It is estimated by the Assessor that the non-operative assessment roll, taxable for City and County purposes, will amount to approximately $734,000,000, an increase of $50,000,000 over last year's roll. As previously stated, $86,000,000 of this, the value of unsecured personal property, will be taxed at last year's rate, $3.47. The balance, $648,000,000, the value of real estate, improvements and secured personal property, applied to the tax levy will determine the tax rate.

Deducting $4,000,000, the estimated amount of miscellaneous revenue, and $1,427,778, estimated to be received from the disposal of Hetch Hetchy power, or a total of $5,427,778, from $35,060,509, the budget total, leaves $29,632,731 to be raised by taxation. Of this amount, $2,984,200 will be produced by applying last year's $3.47 tax rate to $86,000,000, the assessed value of unsecured personal property. This leaves a balance of $26,638,531 to be assessed against real estate, improvements and secured personal property to the value of $648,000,000. To raise this amount on that valuation would require a tax rate of $4.12.

Any change in the amount of the assessment roll, which is still incomplete, and subject to check by the Auditor, or any discrepancy in the estimated amount the city will receive from the disposal of Hetch Hetchy power, or the proportion of this which is applied to budget purposes, will necessarily affect the tax rate.

The budget appropriation for bond interest and redemption, $5,677,236, is $300,000 in excess of the Auditor's estimate of requirements for bonds at present outstanding. Plans for the disposal of unsold Hetch Hetchy water bonds and school bonds are not publicly known, but for the purpose of this tax rate estimate it is assumed that the $300,000 is provided to cover the interest charges on such of these bonds as are sold during the year.

The lack of authentic information as to contemplated bond sales, the rate of expenditure of the proceeds, and the amount of idle bond funds that will be available for reinvestment, has caused this important factor in the tax rate calculations to be an unknown quantity, during the last few years.

The Bureau has repeatedly urged that the budget, in addition to a list of the estimated expenses of the city for the year, should also contain a revenue statement which will show the estimated amount of revenue to be received from miscellaneous sources, and the balance necessary to be raised by the tax levy.

This would obviate the necessity for assumptions as to the plans of the officials, and would, as soon as the total of the assessment roll is known, eliminate the unnecessary speculation as to the tax rate to which both taxpayers and officials are now compelled to resort.

Salary Standardization Developments

The Board of Supervisors has appropriated $5,000 for the purpose of putting into effect the provisions of Charter Amendment No. 27, approved by the people at the November election, providing for a classification and grading of positions by the Civil Service Commission for salary fixing purposes "under which like compensation shall be paid for like services." This is a matter that has been considered informally for many years, in fact, the existing charter indicates that its framers had the principle in mind even at that time. Unfortunately, however, the Civil Service Commission has never been provided with the means for undertaking the work on a com-

prehensive basis, with the result that little of a constructive nature has ever been done.

The Bureau's position on municipal salaries has been repeatedly expressed and is well known, and an outline of its view on pending standardization procedure appears in THE CITY for March of this year. It is to be hoped that this appropriation, while hardly sufficient to complete the work, marks the initial step toward the elimination of many of the salary fixing difficulties confronting the Board of Supervisors each year when they consider personal service items in the city's annual budget.

The charter places the responsibility for fixing salaries, except for employees in certain specified departments, on the Board of Supervisors, and the members of the Board have heretofore been compelled to assume that responsibility with wholly inadequate means of determining the justice or injustice of prevailing rates. As a result the equity of salary adjustments has often been questioned and the Board has been criticized both for granting increases and for withholding them.

Such efforts as have been made by the Board of Supervisors to adjust salaries have been largely on the basis of Civil Service or pay roll titles, and have dealt with single classes or groups without due regard to the relative value of the various other groups and classes.

The existing Civil Service classification is essentially one of titles and salaries, rather than one of duties, responsibilities and authority, and these titles may be and often are misleading. Obviously, until all positions are classified according to duties it will be impossible to deal intelligently with the city's pay roll, or fairly with the city's employees. All discrepancies between titles and jobs must be eliminated before an intelligent consideration and equitable adjustment of rates can reasonably be expected.

Employees and taxpayers alike will profit from the results of a comprehensive standardization procedure, and incidentally the Supervisors will be relieved of the necessity of performing a duty of vital importance without either adequate or accurate information on the subject. In the last analysis the salary fixing body determines, to a great extent, the quality of service. Compensation must be sufficient to attract those qualified to perform specific duties satisfactorily and economically. It is, therefore, of the utmost importance that a comprehensive employment classification, positively defining the character of work involved in each position, be made available for salary fixing purposes.

Bonded Debt Per Capita

San Francisco's per capita net bonded debt is $149.13, according to an analysis of the bonded indebtedness of 207 cities as at January 1, 1925, and based on the 1920 United States census, which has been prepared by the Detroit Bureau of Governmental Research.

The gross bonded debt of San Francisco on January 1, was $78,091,000

and was divided as follows: General improvement bonds $23,040,000; public school bonds, $11,250,000; and public utility bonds $43,791,000. The city's outstanding bonds for general improvements are less than those of any other city of more than 500,000 population with the exception of St. Louis.

The San Francisco budget for the fiscal year ending June 30, 1925, provided for redemptions totaling $2,521,000 leaving a net bonded debt of $75,559,000. Only three cities of greater population than San Francisco have a smaller net debt. They are St. Louis, Pittsburgh and Buffalo. In per capita net bonded debt, San Francisco ranks third among the cities of more than 500,000 population. The two which exceed it are: Los Angeles, $153.50, and New York, $208.75.

The per capita debt of other Pacific Coast cities is as follows: Seattle, $186.87; Portland, $151.49; Tacoma, $115.80; Spokane, $51.93; San Diego, $254.69; Long Beach, $230.14; Pasadena, $219.56; Sacramento, $179.62; Fresno, $71.47; Stockton, $60.41; Oakland, $53.65; and Berkeley, $17.92.

The per capita indebtedness of 207 cities classified in the analysis ranges from $268.85 for Atlantic City, N. J., to $8.63 for Quincy, Ill., omitting Washington, D. C., which is free from debt.

A comparison of the bonded debt this year as with last year for 58 out of 68 cities of more than 100,000 population shows that 46 cities have a total increase of $251,416,648, while twelve cities reported reductions of $31,485,405. The net increase, therefore, of the 58 cities was $220,231,243. Excluding New York, which reported an increase of $85,975,722, and Washington, which paid off the balance of its debt of $165,609, the average increase for 56 cities was $2,400,000.

BONDED DEBT OF THE 12 CITIES OF MORE THAN 500,000 POPULATION AS OF JANUARY 1, 1925

	General Improvement Bonds	Public School Bonds	Public Utility Bonds	Gross Total Bonded Debt	Sinking Fund	Net Total Bonded Debt	Per Capita Net bonded
New York	$670,686,909	$129,433,024	$617,162,317	$1,417,282,250	$244,071,989	$1,173,210,261	$208.7
Chicago	128,125,900	50,000	4,615,500	132,781,400	.....	132,791,400	49.1
Philadelphia	180,044,423	38,285,000	69,287,777	287,617,200	69,588,823	218,028,377	119.5
Detroit	70,134,216	41,218,100	45,646,114	156,999,430	13,381,358	143,618,072	144.5
Cleveland	75,366,164	27,670,000	35,922,181	138,958,345	21,978,114	116,980,231	146.8
St. Louis	22,663,000	2,351,000	8,363,000	33,377,000	7,984,224	25,392,776	32.8
Boston	69,072,451	15,160,800	41,816,700	126,049,951	43,568,632	82,481,319	110.2
Baltimore	99,263,396	.....	30,748,100	130,011,496	35,825,398	94,186,098	128.3
Pittsburgh	33,174,800	15,529,200	8,272,100	56,976,100	3,149,823	53,826,277	91.4
Los Angeles	23,225,425	407,150	75,215,450	98,849,025	10,328,349	88,520,676	153.5
Buffalo	25,807,710	17,543,000	15,864,647	59,215,357	5,674,283	53,541,074	105.6
San Francisco	23,040,000	11,250,000	43,791,000	78,081,000	2,521,600	75,559,400	149.1

Per capita debt based on 1920 census.

Recent Municipal Events

Hetch Hetchy Power Plant Damaged: The report of the City Engineer fixing responsibility for the recent Moccasin Creek power pipe line break, and estimating the damage costs, was presented, by the Public Utilities Committee, to the Board of Supervisors July 21st, and adopted. The report states that an employee failed to follow instructions when ordered to open the valves which permit the water to enter the pipes. The pipes were unable to withstand the excessive pressure created, which caused them to break, flooding the power house and equipment. The City Engineer's estimate of the cost of repairing the damage is as follows: power house, $25,000; overhauling equipment, $15,000; and repairing pipes, $10,000, making a total of $50,000 to repair all damages. According to the statements of officials it is expected that the damage will be repaired and the delivery of power to the Pacific Gas & Electric Company will commence during the first week in August.

Removal of Gas Lamps: The Lighting Committee of the Board of Supervisors has reported that during the fiscal year ending June 30, 1925, 1,449 gas lamps were replaced by electric lights. The Chairman of the Committee stated that the 5,000 gas lamps still remaining will be replaced by electric lights in approximately two years time according to present plans.

Officials' Salaries Increased: The Board of Supervisors on Monday, July 20th, finally passed an ordinance fixing the salaries of the Auditor, Treasurer, Tax Collector, Recorder, County Clerk, City Attorney, District Attorney and Coroner, at $8,000 per annum, commencing July 1, 1925. This action follows the adoption of a charter amendment last November placing the power to fix the salaries of these officials in the Board of Supervisors, but limiting them to a maximum of $8,000 per year. Prior to the adoption of the amendment these salaries were specified in the charter, the City Attorney and District Attorney at $5,000, and the other officials named at $4,000.

Islais Creek Reclamation: The Supervisors, July 13th, adopted a resolution urging the Federal authorities to co-operate in the reclamation of 291 acres of land in the Islais Creek district, by dredging the bar existing off the Creek, thus improving the navigability of the harbor and channel, and at the same time providing material to be used in reclamation. An Act of the last Legislature provides for the reclamation of 291 acres of land in the Islais Creek district, useless in its present condition, but which when reclaimed, will be valuable for industrial sites owing to its accessability by rail and water.

East Bay Bridge: To aid it in reaching a decision in regard to the granting of a franchise for a toll bridge across the Bay from San Francisco

to some point on the east shore near Oakland or Alameda, the Board of Supervisors has requested the War Department to grant a further hearing on the matter of bridging the Bay, and the conditions imposed by the Department in 1921. Three petitions for franchises to construct and operate toll bridges between these points are pending before the Supervisors, who are in doubt as to whether any of the proposed plans are in compliance with the conditions which the War Department has imposed.

1925 Assessment Rolls: According to late reports from the Assessor's Office, the non-operative assessment roll (taxable for City and County purposes) for this year, will total approximately $734,000,000, an increase of $50,000,000 over last year's roll, and the operative roll (taxable for State purposes) will amount to approximately $315,000,000, an increase of more than $10,000,000 over the 1924 figure. This will give San Francisco a total assessed valuation of $1,049,000,000.

Suggested Improvement Bond Issues: At a meeting of the Education, Parks and Playgrounds Committee of the Board of Supervisors, and the Park and City Planning Commissions, held June 16th, the Park Commission recommended six park improvement projects estimated to cost $4,720,000, and suggested that a bond issue to finance these be submitted to the people at the coming November election. A $6,000,000 bond issue for Municipal Railway extensions has also been proposed, and the City Engineer has suggested that $11,500,000 be included in the proposed bond issue for three city reservoirs, the Park Panhandle extension, the Bay Shore highway, within the city limits, and the Bernal Cut. A resolution adopted at the meeting placed the whole matter in the hands of the City Planning Commission for a complete report.

7-30-25

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A Publication Devoted to the Promotion and Application of Scientific Principles of Government

VOL. V AUGUST, 1925 No. 9

The Hetch Hetchy Power Distribution Contract

Secretary of Interior's Decision
"Reasonable Compliance"
Financial Returns From Power Distribution
Valuation Proceedings and Future Bond Issues

Market Street Railway Purchase

Initiative Petition For $36,000,000 Purchase
Franchise Expiration Will Not Settle Problem
Cost to Car Riders of Increased Fare

Issued by
San Francisco
Bureau of Governmental Research
58 Sutter Street San Francisco, California

The City

Issued monthly by the

San Francisco Bureau *of* Governmental Research

"An incorporated non-partisan citizens' agency to study public business, co-operate with officials and specifically work for economy and efficiency in municipal affairs."

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The Hetch Hetchy Power Distribution Contract

The recent opinion of the Secretary of the U. S. Department of Interior should settle doubts that have been expressed in some quarters relative to the legality of the contract between the City and County of San Francisco and the Pacific Gas & Electric Company for the distribution of Hetch Hetchy power. This contract was entered into between the Board of Public Works and the Company on June 30th, following the passage of a resolution by the Board of Supervisors on June 29th, which resolution authorized the contract and specified its terms.

Subsequent to the authorization of the contract the so-called "minority group" of the Board of Supervisors filed a brief with the Secretary of the Interior, designed to prove that the contract was in conflict with the provisions of the Raker Act and was, therefore, illegal. Representatives of the Modesto Irrigation District also filed objections to the contract with the Secretary of the Interior. The Mayor and the Chairman of the Finance Committee, together with representatives of the City Attorney's and City Engineer's offices went to Washington to present the City's views, to the effect that the contract was not in violation of any provision of the Raker Act, and was necessary for the distribution of Hetch Hetchy power in the absence of a municipally-owned distributing system.

Secretary of Interior's Decision

After reference of the contract to the U. S. Attorney General, and to Assistant Secretary Edwards, (who, as Solicitor in 1923, handed down a formal opinion in the matter), the Secretary of the Interior notified the Mayor that: "The Act approved December 19, 1913 (Raker Act) does not require the Secretary of the Interior to approve or disapprove contracts such as the contract entered into between the City and County of San

Francisco and the Pacific Gas & Electric Company dated July 1, 1925.

"It is the duty of the City and County of San Francisco at all times to comply with and observe on its part all the conditions specified in the Act, and it is the duty of the Secretary of the Interior, in the event that the conditions specified in the Act are not reasonably complied with and carried out, to report the facts, after notifying the City and County of San Francisco in writing, to the Attorney General for such suits or proceedings in the proper courts as the law and the facts in his opinion warrant.

"The Secretary should not act at this time, but must await such development of facts as will enable the Secretary to determine with a certainty whether or not this Act is being reasonably carried out by the City and County of San Francisco.

"The violation of the Act, if any, is a fact evidenced by acts, and the Secretary must necessarily wait a reasonable time until performance shall indicate whether or not the acts of the parties constitute such a violation of the law as will make action on his part proper."

"Reasonable Compliance"

Section 9-U of the Raker Act reads in part as follows, (the emphasis is ours): "Provided, however, that the grantee (the City) shall at all times comply with and observe on its part all the conditions specified in this Act, and *in the event that the same are not reasonably complied with and carried out by the grantee,* upon written request of the Secretary of the Interior, it is made the duty of the Attorney General in the name of the United States to commence all necessary suits or proceedings in the proper court having jurisdiction thereof, for the purpose of enforcing and carrying out the provisions of this Act."

The effect of this provision of the Raker Act is to invest the Secretary of the Interior with wide powers in the determination of what constitutes "reasonable compliance" by the City with the provisions of the Raker Act. The City's obligations under the Raker Act must be considered as a whole. If, for example, it would be impossible for the City, within a given time, to provide the additional $25,000,000 required to complete the water tunnels and conduits, and in addition provide other millions for power distribution purposes, the Secretary of the Interior would have discretionary power to determine whether completion of the water project at the expense of postponing heavy capital expenditures for power distribution was or was not "reasonable compliance."

Furthermore, if the City's necessity for certain projects or improvements, apart from Hetch Hetchy, was very great, and its financial resources limited so that it could not finance all of these, the Secretary of the Interior would have discretionary power to determine what would constitute "reasonable compliance" under the conditions confronting the City.

Financial Returns From Power Distribution

The four power units at the Moccasin Creek power house, with a total

installed capacity of 70,000 kilowatts, are now in operation. Under the terms of the contract between the City and the Pacific Gas & Electric Company, the City is delivering this electrical energy to the company at Newark.

The contract was based on, (1) a calculated average price of power in San Francisco at existing rates, of 2.383 cents per kilowatt hour; (2) estimated distribution losses of 24 per cent between Newark and consumers' meters in San Francisco; and (3) an estimate that production and transmission costs (borne by the City) amounted to nearly 27 per cent of the total power costs, as compared with over 73 per cent as the cost of distribution (borne by the company). On this basis, the contract provided that the return to the City should be 26.935 per cent of 2.383 cents per kilowatt hour for 76 per cent of the energy delivered by the City to the company at Newark, the company to retain the remaining 73.065 per cent to cover its cost of distribution.

It is estimated that the total revenue that will accrue to the City from the disposal of Hetch Hetchy power under this contract will approximate $2,000,000 per year. Annual operation costs at the Moccasin Creek plant and on the City's transmission line to Newark have been estimated by the City Engineer as $350,000. On this basis, it is estimated that, for the portion of the current fiscal year, the City's gross revenue will approximate $1,770,000, and net revenue $1,420,000. This sum, under the Charter, must be applied to meet interest and redemption charges on the bonded debt that represents the City's investment in the power house, transmission line and appurtenant structures. The net operating revenue to the City on the above basis is equivalent to 22 cents on the tax rate. The Finance Committee's tax-rate report of August 31st takes this into account in proposing the tax return of $4.13 on each $100 of assessed valuation.

Valuation Proceedings and Future Bond Issues

With the contract in force providing for the distribution of the power and the derival of a substantial revenue therefrom, the Hetch Hetchy power problem will move along to its subsequent phases. These are the completion by the State Railroad Commission of its valuation of the two privately-owned local distributing systems, and, subsequently, the submission to the people of a bond issue or bond issues for the acquisition of one or both of these privately-owned plants.

The Railroad Commission has recently reported to the Board of Supervisors that its work on the physical valuation of the property of the two companies will be completed early in September. Upon such completion, hearings will be held at which the City and each company may make such representations as seem necessary or desirable relative to the valuations proposed to be fixed—the basis used in calculating reproduction costs, the estimated amount of accrued depreciation, the value of "intangibles" such as good will, going concern, severance damages, etc. These hearings may

continue over a period of months, depending upon how wide the differences may be between the Commission, the City and the companies.

If agreement should be reached between the City and one or both of the companies when these proceedings are completed, the price or prices so agreed upon can be presented to the people in the form of a bond issue proposal; this would require a two-thirds favorable vote of all those voting thereon, for passage. If the City and companies are not in agreement as to valuation, upon the completion of the proceedings before the Railroad Commission, it will be necessary for the City to resort to condemnation proceedings, provided that the people first authorize a bond issue, based on the Railroad Commission's valuation. In such case, it may be a number of years before these will finish their course through the various courts, and before the City can acquire title to the property which it seeks to condemn.

The necessity for the City's making use of existing agencies for the disposal of Hetch Hetchy power was dictated by this situation, and the probability that a period of years would ensue before the City would own a distribution system, even should the people vote bonds for such a system. With the arrangement now in force, under which Hetch Hetchy power is being applied to useful purposes, and under which the City is receiving a substantial annual return, the matter of acquiring a distributing system can be presented to the people and analyzed on its merits without being confused by arguments predicated on the needless and costly wasting of the power.

Market Street Railway Purchase

The factors involved in consideration of purchase by the City of the Market Street Railway Company properties were reported by the McGregor committee on August 18th, at a public meeting called for that purpose. The committee, consisting of Supervisors McGregor, Hayden, McLeran, Morgan and Rossi, and the Mayor, City Attorney and City Engineer, was appointed in 1922, following the discharge of a prior committee of the Board of Supervisors which reported that it had reached an impasse due to wide differences in the conclusions of its individual members as to the fair value of the company's property.

The committee report as presented by Supervisor McGregor, Chairman, was stated as one of progress only; the conclusions reported may be summarized as follows:

'The Market Street Railway property cannot be purchased out of surplus earnings on a 5c fare. The 'pay as you go' plan is not a solution; if payments cannot be made out of revenues the funds would have to be provided from some other source.

'The City Engineer in 1921, on the basis of 1913-1917 average prices, estimated $35,300,000 as reproduction cost of the road, depreciation as

$8,900,000, and value, less depreciation, as $26,400,000. The Railroad Commission in 1920, on the basis of 1918-1920 average prices estimated $41,000,000 as the value of the properties, and the Market Street Railway Company, on the same basis, estimated $51,000,000. The committee believes that the City Engineer's estimate that the City would be justified in paying $40,000,000 for the properties is too high.

'The company made no offer of price, but from statements and figures the committee estimated about $38,000,000 as the nearest figure that the company would probably be willing to accept; the committee could not recommend any such figure.

'The property is slowly deteriorating. Property worth $25,000,000 to $35,000,000 can not be adequately maintained on $200,000 a year. Purchase by the City would mean immediate rehabilitation of many parts. Under municipal ownership from $1,000,000 to $1,300,000 a year would be required for renewals.

'The company has made no extensions for twenty years. The property is efficiently and economically managed, more so than could be expected under municipal ownership. The Municipal Railway is not a 'gold mine,' its success is due to tapping only populated districts.

'Operation of the property by the City under the City's present wage scale, would require a 25 per cent increase in the present force of 2,800 employes and an increased annual pay roll of $2,490,000. Municipal ownership and operation would also require additional maintenance expenditures of $350,000 annually. Savings under municipal ownership have been estimated as $1,570,000, leaving a net increased operating cost of $1,270,000.

'The annual revenue of the company, $9,852,000, less $7,800,000 for operating costs and $1,689,000 for depreciation, accident and compensation insurance reserves, would leave only $211,000 a year available for bond interest and redemption payments.

'The increase in the company's receipts was only ½ per cent last year, as compared with 2½ to 3 per cent for the previous year, and thus past records offer no accurate index for the future.

'The privately owned and municipal systems should be unified and there should be universal transfers.'

The President of the Market Street Railway Company stated that the company's annual expenditures for maintenance were in excess of those referred to in the committee's report. In a communication presented to the Acting Mayor and read to the meeting he referred to purchase negotiations since 1921. He stated that the Company's estimate of reproduction cost new of its properties was $60,000,000 and, allowing for depreciation $52,000,000, and recommended that a fair valuation of the company's properties for the purpose of purchase negotiations be fixed by arbitration or

by the State Railroad Commission. He stated that while all of the tracks of the company were not in perfect condition the system was in good shape, had earned $2,800,000 last year and that he was willing to proceed with negotiations but that the properties would not be sold unless the City's offer was a fair one.

In conclusion, Chairman McGregor stated that an effort would be made by the committee to arrive at a price satisfactory to the company, give company officials an opportunity to present this price as an offer of sale to the City, and then submit the figures and terms to the Board of Supervisors for ratification or rejection.

Initiative Petition For $36,000,000 Purchase

Subsequently the press carried articles to the effect that initiative petitions are being circulated by a local civic organization to bring the purchase proposition before the people at the November election. According to the press, the petition specifies $36,000,000 as the purchase price, one-third to be covered by the City's assumption of an existing bond mortgage, and two-thirds to be paid off in semi-annual payments starting June 30th, 1931. One of the officials of the organization initiating the petition is quoted as stating that the movement grew out of dissatisfaction with lack of official progress in the matter and that the price and terms enumerated by the petition have been approved by Market Street Railway Company officials.

The question of Market Street Railway purchase by the City has been before the people intermittently since 1917. By a charter amendment adopted in 1920, the City is authorized to purchase a public utility out of the earnings of such utility. Such a purchase plan requires a two-thirds vote of the Supervisors, and a majority vote of the people, or "two-thirds of the qualified electors voting thereon in the event that such acquisition shall involve the incurring of an indebtedness or liability exceeding in any year the income and revenue provided for such year."

By a charter amendment voted in 1922, the City is authorized to acquire and operate street railway lines in San Mateo County, and any indebtedness incurred in the purchase of street railway system is removed from the charter 15 per cent debt limitation.

Franchise Expiration Will Not Settle Problem

Some of the more important of the Market Street Railway Company franchises expire in 1929; franchises for the remaining portions of the system within the City expire piecemeal at various times up to 1945. Company officials for years have pointed out that restrictive franchise conditions, as laid down in the charter, made it impossible for the company to extend its lines, and impossible, also, to secure capital necessary for such extensions.

If the matter continues unsettled until the expiration of the company's earliest franchises in 1929, the City will have only the power to require the company to remove its cars, tracks and other property from the streets.

On the other hand, to insure uninterrupted transportation, the City may be forced to ask the company to continue operation under a day-to-day agreement for the various lines.

The problem will not be automatically solved by the expiration in 1929 of some of the company's franchises; it will probably become more confused. The remaining portion of the company's system, covered by unexpired franchises, and the unconnected lines on which franchises have expired, will still serve as bars to a co-ordinated, universal-transfer system. The question of fair value of the company's property for purchase by the City, even of those elements on which franchises have expired, will still have to be settled.

Until the matter is effectively settled there is no possibility of the securing of universal transfers between the present Municipal and Market Street Railway lines, and such extensions as are required to furnish needed transportation must be abandoned, or be attempted as extensions of the present Municipal Railway system.

Cost to Car Riders of Increased Fare

The committee's report stated that there is no possibility of purchasing the Market Street Railway properties out of surplus earnings on a 5 cent fare. The committee estimated that the pay roll under operation by the City would be increased by $2,490,000 a year. The Bureau, in April, 1924, estimated that a raise in fare to 6 cents would add at least $2,600,000 to the public's street railway transportation bill.

From the standpoint of proper growth and development of the City, a sound solution of the street railway problem is important. Unification of the two systems through purchase of the privately-owned system by the City, if this will automatically bring about an increase in fare and an additional cost to car riders of at least $2,600,000 a year, will probably not be supported. Purchase by the City under a policy of the forced maintenance of a 5 cent fare would require a heavy drain on the taxpayers to make up annual deficits in bond interest and redemption payments.

The Bureau has urged in the past the importance of a speedy solution of the transportation problem. It has urged that when negotiations are carried to the point of mutual agreement on the price at which the City may take over the company's properties, that such purchase proposal be submitted to the people, together with an alternative proposal, in the form of a charter amendment, authorizing the Supervisors to grant re-settlement franchises to the private company. By such procedure, if the voters do not favor the purchase, they will have the opportunity of authorizing the granting of re-settlement franchises under which (1) the company will be able to make and secure capital for necessary extensions, (2) universal transfers may be issued between lines of the two systems, and (3) the price for future purchase by the City may be definitely specified.

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Municipal Railway Finances 1924-25

Legal Phases of the Tax Rate

The Allocation of Hetch Hetchy Power Revenue

Inequitable License Procedure

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Municipal Railway Finances 1924-25

A summary of Municipal Railway income and expenditures is presented herewith for the fiscal year ending June 30th last, as compiled by the Bureau from the monthly statements issued by the Board of Public Works. The figures shown are subject to adjustment after audit of the accounts, which adjustment may change the totals in some slight degree.

The form of statement used by the Bureau follows private utility practice in the public presentation of their financial operations. The only important change in the statement, as compiled, from the set-up of the official monthly statements, has to do with the so-called Depreciation Reserve. In the statement herewith presented, the amount officially set aside as "Depreciation Reserve" is sub-divided to show (a) the amount paid on account of accident and damage claims, which is carried as an operating expense, (b) the amount applied to the redemption of debt, and (c) the net amount remaining, after payment of these two items, that is available for credit to the Depreciation Reserve. In the official monthly and annual statements issued by the Board of Public Works, the Depreciation Reserve, although used for accident claims, redemption of debt, and, finally, depreciation reserve, is not so segregated.

The income account, as compiled by the Bureau, shows a surplus of $7,984. The surplus for the preceding year amounted to $8,374, $55,670 for 1921-22, and $56,369 for 1920-21.

Operating revenues show an increase over the preceding fiscal year of $99,342. The increased revenue is more than overcome by an increase of $144,480 in operating expenses. The main increase in operating expenses are $77,662 for compensation paid to platform men, (of which about $11,000 is due to the partial operation of charter amendment No. 21) and $61,919 increase in the cost of accident and damage claims.

The net amount available for allocation to the Depreciation Reserve is $266,062, a decrease of $44,783 as compared with the preceding fiscal year, which decrease is due to the increased cost of accident and damage claims.

Operating income for the year, after operating expenses and depreciation, amounts to $325,724, practically the same as for the preceding fiscal year.

SAN FRANCISCO MUNICIPAL RAILWAY

LAST TWO FISCAL YEARS ENDING JUNE 30, 1924—JUNE 30, 1925.

(Compiled by Bureau of Governmental Research from Official Monthly Reports)

	1923-24	1924-25	Increase (—*Decrease*)
Passenger Revenue	$3,173,181	$3,268,383	$+95,202
Miscellaneous Revenue	16,352	20,492	+ 4,140
OPERATING REVENUE	$3,189,533	$3,288,875	$+99,342
Operating Expenses:			
Ways and Structures	115,467	113,665	— *1,802*
Equipment	187,636	201,900	+14,264
Power	465,889	464,991	— *898*
Conducting Transportation	1,523,270	1,600,932	+77,662
Traffic	110	.....	— *110*
Workmen's Compensation Insurance	52,798	45,656	— *7,142*
Other General and Miscellaneous	148,111	148,698	+ 587
*Accident and Damage Claims (D.R.)	59,328	121,247	+61,919
TOTAL OPERATING EXPENSE	$2,552,609	$2,697,089	$+144,480
NET OPERATING REVENUE	636,924	591,786	—*45,138*
*Depreciation Reserve, net (D.R.)	310,845	266,062	—*44,783*
OPERATING INCOME	$ 326,079	$ 325,724	$— *355*
Interest received on Securities Owned	46,519	41,403	— *5,116*
***Compensation Insur. Fund Dividend	32,999	28,535***	— *4,464*
TOTAL NON-OPERATING INCOME	79,518	69,938	— *9,580*
GROSS INCOME	$ 405,597	$ 395,662	$— *9,935*
Taxes (Not Paid, see "Comp. Chgs.")	.....	.....	.....
Interest on Funded Debt	196,223	186,678	— *9,545*
SURPLUS	$ 209,374	$ 208,984	— *390*
*Redemption of Debt (D.R.)	201,000	201,000	.....
SURPLUS	$ 8,374	7,984	— *390*
Comparison Charges—Taxes not paid	303,604	313,015**	+ 9,411
THEORETICAL DEFICIT	($295,230)	($305,031)	$+ 9,801

*—B. P. W. accounts included in "Depreciation Reserve."

**—Estimated by Bureau.

***—Difference between reserve charged as operating expense and actual expenditures.

( )—Deficit

Non-operating income, made up of interest earned by securities held in the Depreciation Reserve, and a compensation insurance dividend corresponding to the State compensation insurance fund dividend, amounts to $69,938, a decrease of $9,580 as compared with the preceding year.

The gross income for 1924-25 amounts to $395,662, or $9,935 less than that of the preceding fiscal year. Interest payments out of gross income total $186,678, $9,545 less than for the preceding year, leaving a "surplus"

of $208,984, practically the same as that of the preceding year. Deducting therefrom the sum of $201,000 that is applied to the redemption of the Municipal Railway debt, leaves a net surplus or profit of $7,984.

The Municipal Railway, like other municipally-owned public utilities in California, does not pay the taxes that privately-owned public utilities must bear. The charter, however, requires that accounts shall be kept of such charges for the purposes of accounting and comparison. These so-called "charter comparison charges" are estimated by the Bureau as $313,015. If the Municipal Railway had to pay these, in the same manner as privately-owned utilities, the surplus of $7,984 would be changed to a deficit of $305,031. To carry out the comparison fully, however, this theoretical deficit of $305,031 should be offset by the sum of $201,000 that the Municipal Railway, out of its revenues, applies to the redemption of its bonds inasmuch as most privately-owned public utility corporations refund their bond issues as they come due, and do not, out of revenues, provide for the serial redemption of their outstanding bonds. This would reduce the theoretical deficit (not an actual figure but one set up for comparative purposes only) to $104,031.

There are other expenses in connection with the operation of the Municipal Railway which are absorbed by other city departments and, therefore, do not appear in the Railway accounts. These include certain administrative, accounting, legal and engineering services performed by the Board of Supervisors, Board of Public Works and the City Attorney's office and in some cases, new street paving paid for by the property owners. A private company would necessarily have to pay these expenses out of operating revenues.

The charges and credits shown in the statement for the item of workmen's compensation insurance should be further explained. The statement shows a charge for the last fiscal year of $45,656, and a dividend, taken into account as non-operating revenue, of $28,535. The city carries its own compensation insurance. Railway revenues are charged, under the heading of operating expense, at the rates fixed by the State. If the State declares a dividend to its policy holders, an equivalent dividend is calculated by the city and taken into account either as non-operating revenue, or to decrease the amount charged for the year for workmen's compensation insurance against the revenues of the Railway.

Consideration of the Municiapl Railway finances has been confused between the Municipal Railway operating funds and the Municipal Railway Depreciation Fund. The Depreciation Fund has been built up since the start of operations in 1912 by a charge of 18 per cent against passenger revenues. It was intended that from the fund so created, payments should be made for accident and damage claims and for the redemption of debt, the balance remaining to create and build up a reserve to meet future depreciation expenditures. However, other charges have been made against

this fund to meet wage increases, operating deficits and the cost of new extensions to the system.

The Depreciation Reserve as of July 1, 1924, the start of the last fiscal year, showed a balance of $1,508,327. The 18 per cent of passenger revenues credited to the so-called Depreciation Reserve during the year amounted to $588,309; after deducting for accident and damage claims and the redemption of debt, a remainder of $266,062 was left to be added to the Depreciation Reserve Fund. Due to appropriations during the year for monthly operating deficits, some replacement expenditures, and certain additions and betterments, the balance in the Fund, as shown by the Board of Public Works on June 30th last, the end of the last fiscal year, is $668,544. Against this balance the sum of $575,918 is shown as "predicated for other additions and betterments," leaving a "contingent balance" of $92,626.

The diversion of Depreciation Reserve funds toward the cost of additions and betterments has been protested by the Bureau and other civic organizations on various occasions. Early this year, the City Engineer, at the request of the Finance and Public Utilities Committees, reported on the cost of proposed extensions, recommending that if these extensions were to be built the Supervisors should propose to the people a bond issue of $6,000,000 to provide necessary funds. At the same time, the Finance Committee's expert submitted a report on the various Municipal Railway funds, recommending a change in the basis and accounting control of handling the Depreciation Fund. Also, at the same time, the Bureau submitted a report analyzing the Depreciation Reserve, and the probable requirements of the system for future replacement and other depreciation expenditures, recommending the reconstitution of the Depreciation Reserve in any bond issue proposed to the people for railway purposes.

For almost a year platform men of the Municipal Railway have had a request before the Board of Public Works and the Supervisors for an increase in wages of from $5.40 per day for eight hours, as at present, to $6.40 per day. No action has been taken on this request. The Board of Public Works holds that the increased cost can not be met out of the present revenues of the Municipal Railway.

The future of the Municipal Railway from the financial standpoint depends largely on the manner of settlement of the wage increase proposal, and also as to whether the system with depleted depreciation reserves can continue to be maintained at a high standard of operating efficiency. If the requested wage increase is granted, in whole or in part, without regard to the operating revenues of the Municipal Railway system, or if with depleted Depreciation Reserve the people later fail to vote additional bonds to meet replacement expenditures when, in the future, these are required, the successful financial operation of the railway system cannot be maintained.

Legal Phases of the Tax Rate

The tax rate of $4.13 fixed by the Board of Supervisors September 21st, represents the rate of taxation on real and secured personal property in the city to fund the budget as adopted by the Supervisors last May. A preliminary estimate made by the Bureau, and published in the July "City," estimated that a rate of $4.12 on each $100 of assessed valuation would probably be required.

The original tax rate ordinance, as submitted by the Finance Committee, was amended increasing the levy for bond interest and redemption, and correspondingly decreasing the levy for the general fund, by amounts equivalent to the net revenue from Hetch Hetchy power which in the original ordinance was calculated as reducing the amount of the tax levy for debt charges. The amended ordinance levies $1.00 under the charter "$1.00 limit," 17.2 cents under the charter "65c limit," and $2.958 for expenditures considered as excluded by the charter or state law from the $1.65 tax rate limitations. A City Attorney's opinion upheld the various allocations.

The Finance Committee Chairman stated that a previous informal opinion of the City Attorney also held that, under charter provisions, the full amount of bond interest and redemption charges must be levied in the tax rate ordinance, to safeguard the city's credit, if, for any reason the whole anticipated revenue from the Hetch Hetchy power disposal contract did not actually accrue. He stated that power disposal revenues, when received, would be credited to the water bond interest and redemption fund and the surplus thus created in the fund would, by transfer, be placed in the general fund, thereby making possible a reduction in the tax rate equivalent to the net power revenue. Inasmuch as other provisions of the charter provide that surpluses in bond interest or redemption funds in any year shall be carried forward and apportioned to the same funds for the ensuing fiscal year, the Supervisors should check upon the legality of the intended future transfer of surplus bond funds.

The City Attorney's opinion on the tax rate holds that the city is required by state law to maintain a school system, and, therefore, that expenditures for school purposes are to be classified as not controllable by the charter tax rate limitations. This seems at variance with a previous City Attorney's opinion in accordance with which only the minimum amounts for school funds, as required by state law, were classed as "mandatory" and exclusive of the charter 65c limit. The earlier opinion would classify as outside of the limitation approximately $4,723,000 of the $6,954,477 total school department appropriation. The recent opinion removes the entire appropriation from the charter 65c limit.

The tax required for the $140,000 publicity and advertising fund was held as coming outside the $1.65 charter limitation on the ground that this

money is appropriated under the authority of the state law. The state law is permissive only and not compulsory; therefore appropriations for such purposes would seem to be subject to the charter tax rate limitations.

The City Attorney's advice on previous years' allocation of appropriations for tax rate purposes, which it is presumed are continued for the purposes of the current tax rate, have been based on the opinion that expenditures for "county offices" should be classified as outside of the $1.65 limitation, on the ground that under state law the city and county must maintain the county offices such as county clerk, district attorney, sheriff, etc. When the charter was framed in 1898 each such office, together with personnel and salaries, was definitely specified, and at the same time the original $1.00 tax rate limitation was written into the charter. The appropriations for the various offices are not specified or made mandatory by state law; to the contrary, the Supervisors exercise control of the number of employees and their salaries. From the standpoint of charter tax-rate limitations, there seems to be a question as to whether appropriations for these offices can legally be considered as "outside" the $1.65 limit, especially as their revenues are taken into account as "miscellaneous revenues" and reduce the amount to be levied under the $1.65 limit.

The charter divides the tax rate into the following classes: (1) Not to exceed $1.00, which covers all demands on the treasury except as otherwise provided. (2) In excess of $1.00 but not more than 65c additional. This covers the costs of the schools and school department; cost of construction and repair of streets, sewers, and building for the police, fire health, and school departments and the detention home. (3) Outside of $1.65 limit. The tax for maintenance and improvement of parks, squares and public grounds, the tax to pay the interest and maintain the sinking funds of the city's bonded indebtedness, the cost of elections, obligations imposed by legislative or constitutional enactments of the state or United States; obligations imposed by a direct vote of the people for increases in demands, salaries and expenses; and the cost of libraries.

The ambiguity of the charter provisions and their interpretations in relation to the constitution and State laws, is such that in any case of a tax rate that may be considered as in excess of the charter tax rate limitation, it cannot be settled, except by court action. Under the head of "obligations imposed by legislative enactment" the cost of county offices, maintenance of minors, widows' pensions, and other similar costs are classified as "outside" the limit. Under the same heading the minimum amount for school funds as required by state law was formerly classified as outside, whereas now the entire amount is so classified.

Proper differences of opinion exist as to the necessity or wisdom of an arbitrary limitation on taxation. The experiences of Ohio cities where a hard and fast limitation has been imposed by state law, with the resultant

effect of forcing tremendous increases in property valuation for the purposes of assessment, the forcing of bond issues for current expenditures, the laying off of fire or police forces for short periods to reduce payrolls, etc., would at least suggest that the principle of tax limitation can be so rigorously applied as to interfere seriously with the proper amount and method of expenditure required by growth of the affected communities.

If the principle of tax rate limitation is to be maintained in our charter, the provisions dealing with this should be redrafted so that they will be clear and unmistakable. At present a taxpayer's only recourse is court action to secure the return of such portion of his tax payments as he deems has been illegally levied. During the last three years the city and county, under mandate of the court, has refunded 10 per cent annually of over $1,000,000 of taxes illegally levied more than ten years ago.

It would seem that the limitation, if one is desired or is considered as a necessary safeguard to taxpayers, should be on the amount of expenditure, rather than on the amount of tax rate. Under the $3.47 rate which prevailed during the last four fiscal years, governmental expenditures increased $2,700,000. A percentage limitation on the amount of increase in municipal expenditures in any one year as compared with the preceding year, with machinery whereby any excess over the allowable percentage increase could be referred to the voters for their ratification or disapproval, would seem to provide all the safeguards that a limitation on the amount of tax rate is supposed to, without the disadvantages of an arbitrary limitation, and with machinery through which the people could authorize unusual increases in expenditure if the growth and needs of the city so require.

The Allocation of Hetch Hetchy Power Revenue

An ordinance providing for the allocation of the Hetch Hetchy power revenue is pending in the Public Utilities Committee and will, no doubt, be considered by the Board of Supervisors in the near future.

A question is involved, as to whether the revenue from power, remaining after the payment of operating and maintenance expenses, shall be used to pay interest and redemption charges on only that portion of the Hetch Hetchy water bonds arbitrarily charged to power development and the surplus applied to additional power development, or whether this net revenue shall all be used, as far as it will go, for interest and redemption charges on the entire Hetch Hetchy issue from which the funds for the power as well as the water development were secured.

The Public Utilities Committee in its communication of August 27th, 1925, to the City Attorney asked his opinion as to the proper distribution of the power revenue, and stated that the committee would like to see a fund created from the power revenue to be used for the purpose of constructing the transmission lines from Newark to San Francisco.

The City Attorney has handed down an opinion to the effect that, in accordance with charter provisions, this revenue must be apportioned for the purposes, and in the order, as follows: 1st. For the payment of operating expenses; 2nd. For repairs and reconstruction; 3rd. For payment of interest and sinking fund on the bonds issued; 4th. For extensions and improvements; 5th. For a reserve fund.

The opinion also states "It is not legally necessary that revenue received from the operation of the electric utility should be used to redeem bonds and pay interest on that portion of the bond money which was expended in the construction of the water project as distinguished from the power development . . . It is my opinion that a segregation and allocation should be made of the capital expenditures in the construction of the water project and the electric power development."

It will be noted that the City Attorney in his opinion does not say that the surplus power revenue cannot be applied to debt charges on that part of the funds charged against water development but only that "it is not legally necessary."

The City Engineer's office has arbitrarily charged power development with $21,000,000. This figure was arrived at by dividing equally all charges against units used jointly for water and power purposes and adding all expenditures made strictly for power construction and is equal to 50 per cent of the cash proceeds from the $45,000,000 Hetch Hetchy water bond issue of 1910. It lies with the Board of Supervisors to determine finally what part of the water construction cost shall be charged to power development, but such determination must necessarily be on a fair and reasonable basis.

In response to a request from the Public Utilities Committee the City Engineer's office, under date of September 4th, made the following estimate of the operating expense in connection with power production and transmission, and bond interest and redemption charges on the $21,000,000 charged to power development:

Operating expense	$125,000
Maintenance	75,000
Insurance and depreciation	175,000
Interest	877,500
Redemption of debt	500,000
TOTAL	$1,752,500

The revenue from power under the contract with the P. G. & E. Co. is estimated at $2,000,000 per year. On account of an accident at the power house which caused a temporary shut down during July and August the revenue for this year may not exceed $1,755,000.

In support of the contention that the surplus power revenue should be

used for debt charges on all of the outstanding water bonds instead of only on that part which is arbitrarily charged to power development, quotations are made from the City Attorney's brief and the court's decision in the case of Uhl vs. The Board of Public Works, in which an injunction was asked to prevent the city from constructing a transmission line from Newark to San Francisco out of the 1910 water bond fund. The city's case was built up on the premise that the power development was incidental to, and part of the water system, and the court concurred in this argument.

The City Attorney said "The whole plan of our water project calls for development and transmission of electric power to be used in conjunction therewith . . . The construction of a substantial power development was incidental to the plans for the water system at the time of the bond election in 1910 . . . It cannot be said that the voters voted with an entire lack of knowledge on their part that the city proposed to build several power plants for generating hydro-electric power and to transmit that power to the city and county lines . . . The city had a right to install its electric power development as an incident to the water supply even if such development had not been imposed as a condition either in the Garfield permit or the Raker Act . . . The government, therefore, insisted that this hydro-electric power be developed as a part of the entire project."

The court held, in this case, that "It cannot be said, however, that the generation and transmission of power was not an incident of the original scheme. Electrical power plants were part of the works essential to the operation of the water system as orginally planned and while that plan has undergone a change the use of power cannot be entirely dispensed with."

The court ruled, therefore, that although the $45,000,000 bond issue was voted by the people in 1910, for the purpose of constructing a water system the generation and transmission of power is an incident of the original scheme and the expenditure of funds from this issue for power development purposes was legal.

The City Engineer, in his report to the Supervisors under date of September 11th, 1923, stated that the Hetch Hetchy power construction policy was adopted for the purpose of producing early revenue which could be applied to debt charges on the entire expenditure for the Mountain Division thus facilitating the additional financing necessary to complete the water project.

The power development was paid for from the proceeds of the 1910 water bonds. From the taxpayers' viewpoint, there is no economy in restricting the payment of debt charges, from power revenues, to only a portion of these bonds. This will have the effect of creating a "Hetch Hetchy Power Surplus Fund," and on the other hand, will require the levying of a tax for debt charges on the balance of the bonds, even though part of such charges could be met with the funds set aside as "power surplus."

If a private corporation issued bonds for the purpose of establishing a business for the manufacture and sale of various products separate accounts would, no doubt, be kept to determine the cost of production and sale of each product, but the bonds would be a lien against the entire business and surplus profits would be applied to the whole debt irrespective of whether they were derived from only one of the products or from all of them.

A segregation of expenditures and receipts as between the water and power is proper and desirable for accounting purposes, and should be made, but, in consideration of the fact that the power development was financed out of water bonds, and will bring a revenue to the city in advance of the water project, such part of this revenue as can be used for the purpose should be applied to the interest and redemption charges on the whole debt, rather than only on that portion expended for power development, in order that the people may be relieved to some extent from this heavy burden.

Inequitable License Procedure

On September 21st the Board of Supervisors voted a 50 per cent reduction in the license fees for automobile garages and repair shops. The License Department estimates the loss of revenue from this action at $36,000 per annum.

The Chairman of the Police Committee which recommended the reduction, stated that the change was made in accordance with a petition signed by some five hundred garage owners and operators and representations by them to the effect that these license fees were out of proportion to those required of other businesses.

The Board of Supervisors was advised that as a result of its action various other trades would probably request reductions in license fees which, if granted, would materially reduce revenue from this source counted upon in determining the 1925-26 tax rate.

The elimination of saloons deprived the city of revenue amounting to approximately $1,000,000 a year and in 1920 a committee of the Board of Supervisors took up the question of a revision of the license ordinance for the purpose of making up this loss. The committee recommended an increase of approximately 100 per cent in the license fees contained in the old ordinance and extended its application to a large number of business and professions not previously required to pay a license tax. The ordinance as revised by the committee was adopted by the Board of Supervisors and became effective July 1st, 1920.

The revenue from licenses under the new ordinance was increased from $245,000 for the fiscal year 1919-20 to $790,000 for the fiscal year 1920-21, and a like amount has been collected each year since that time.

The revision of the license ordinance by the committee in 1920 could not be called scientific, by any means, but every effort was made by the committee, with the time and information at its disposal, to hear each and every line of business effected; to consider the relationship of each class of business licensed to all other classes of business licensed and to equalize, as near as possible, the license fees.

In addition to the reduction in the license fees of automobile garages, etc., several other reductions have been made since the ordinance was originally adopted. These changes effected restaurants, boxing exhibitions, etc., and in each instance the particular business requesting a reduction was considered individually and without respect to the effect the change might have on other licenses.

The Bureau is not interested in the amount of license fee any particular business is required to pay, nor does it question the justice of the reduction in the automobile garage license fees, or others which have been made from time to time, but the Bureau filed a communication with the Board of Supervisors in which it objected to the method employed in making these changes.

If there are inequities in the present ordinance they should be corrected, but piece-meal revision of the ordinance, without regard to the relationship of one business to all other businesses may very likely magnify whatever inequalities existed when the ordinance was originally adopted.

Whenever any change in the amount of the license fee charged any one business is requested, or contemplated, it should be determined with relation to the fees required of every other licensed business, and consideration should be given to the effect that any of these changes would have on the license ordinance as a whole.

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The City

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The Market Street Railway Purchase Proposal

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Analysis of Probable Financial Results
Estimated Increases and Decreases Under Municipal Operation
Valuations of Market Street Railway Properties
Advantages of Unification
The City's Transportation Problem
Steps Toward a Proper Solution

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The Market Street Railway Purchase Proposal

The Bureau of Governmental Research has analyzed the initiative ordinance to be voted on November 3rd, which provides for purchase by the city of the Market Street Railway Company's properties for $36,000,000 and fixes the terms and conditions of the proposed transaction.

In the proposal on the November ballot, the specific price and terms are, it is stated, as suggested by the civic organization which originated the initiative measure, and agreed to by the company as the "seller." They are not the result of agreement between representatives of the city and the company, nor the result of scientific determination by the Railroad Commission, although company officials urge the fairness of the price, by comparison with appraisals by the Railroad Commission in 1920 and the City Engineer in 1921. These will be discussed hereinafter.

In the opinion of the Bureau, the proposed initiative ordinance should not be approved. The reason for the Bureau's position are (1) that the price as fixed, may or may not represent the fair value of the properties that the city should be called on to pay; and (2) that operation of the properties by the city seems certain to result in heavy annual deficits, over a considerable period, which would require increased fares, or increased tax levies if the 5c fare is to be maintained.

While adoption of the proposal by the people would make possible universal transfers and the advantages expected of unification, the Bureau's

analysis of the costs and revenues involved indicate that the purchase could not be consummated out of surplus revenues on a 5c fare. The maintenance of a 5c fare should not be considered as the only, or even the predominating element. In a sense it is being maintained only at the expense of the company's stockholders. A future acceptable purchase proposal, future developments in the local street railway situation, or a solution of the transportation problem without municipal purchase of the privately-owned systems, may possibly in any case require an increase in the traditional 5c fare, which only San Francisco, Los Angeles and New York, among the large cities of the country still enjoy.

If the $36,000,000 purchase proposal is voted down on November 3rd, this will constitute only a negative step. The Bureau hereinafter presents specific recommendations looking towards the solution of the local transportation problem. The city's failure to settle this has resulted in inadequate extensions of San Francisco's transportation system for years. Continued failure will have a similar result in the future. The expiration of some of the Market Street Railway Company's main franchises in 1929, together with the accumulated results of lack of adequate street railway facilities in the past, adds to the importance of the problem with each day that elapses.

Financial Terms of the Purchase Proposal

The financial provisions of the initiative measure on the November ballot are briefly as follows:

1. The city to assume the present indebtedness of the Company—$12,500,000 of 7 per cent mortgage bonds—requiring a sinking fund of $500,000 annually out of revenues from 1926 to 1933 inclusive, and $300,000 annually thereafter, the sinking fund to be used to purchase outstanding bonds, of which those purchased during the period 1926-1933 are to be kept alive until 1933, and the interest they earn to accrue to the sinking fund and be used for the purchase of additional outstanding bonds.

2. The bonds are callable on October 1, 1926 at a premium of 7½ per cent, or at any succeeding semi-annual interest-payment date, the premium decreasing ½ per cent at each such successive date; or, by arrangement with holders of 25 per cent of the bonds, callable without premium.

3. The balance, $23,500,000 of the purchase price to bear 5 per cent interest and after five years (starting in 1931) to be paid at the rate of $500,000 annually, and after ten years (starting in 1936) to be paid at the rate of $700,000 per year, with interest at 5 per cent on unpaid balances. For the first five years, 1926 to 1931 inclusive, 1/365th of annual interest charge to be set up daily out of revenues, and thereafter, 1/365th of the annual principal and interest charge to be set up daily out of revenues, for payment to the Market Street Railway Company.

4. If receipts from the operation of the properties are not sufficient to meet the obligations and payments required by the ordinance, or if such receipts are not so applied, a levy must be made in the next tax levy to meet any such payments that are in arrears.

If adopted by vote of the people, the ordinance requires acceptance by the Company, conditioned on the approval by the Railroad Commission of the sale of the property.

Analysis of Probable Financial Results

In analyzing the probable financial effect of the proposed purchase ordinance, and the operation of the properties by the city, the Bureau made detailed annual estimates for the first fifteen years of the purchase period, 1926 to 1940. By the platting of curves based thereon, the effect of the various factors was extended to 1965, the end of the purchase period.

The charges for principal and interest for the fiscal year 1926, the first year of the purchase period would amount to $2,550,000. For future years, these would depend on the city's policy relative to refunding the outstanding $12,500,000 of 7 per cent mortgage bonds: (1) Establishing a sinking fund and purchasing bonds therefrom as specified by the mortgage for the present owners of the property; or (2) the option of retiring the indebtedness at a premium of 7½ per cent, from the proceeds of an issue of municipal bonds bearing 4½ per cent or 5 per cent interest; or (3) the option provided by the mortgage in case of municipal purchase, of retiring the indebtedness without premium—if arrangements can be made with the holders of 25 per cent of the bonds to call the bonds—and redeeming these from the proceeds of a 4½ per cent or 5 per cent municipal bond issue.

Under the first plan, debt charges would amount to $38,372,000 for the first fifteen years of the purchase period, at the end of which time the city would have to provide for the payment or refunding of about $6,500,000 of the original $12,500,000 bond issue, and would still owe $17,500,000 of the original $23,500,000 balance. Under the second plan, the debt charges for the first fifteen years would total $34,913,325; there would still be outstanding $9,030,000 of the $12,900,000 4½ per cent municipal bonds issued to refund the original $12,500,000 7 per cent mortgage bonds, and there would be outstanding a balance of $17,500,000 on the original $23,500,000 obligation. Under the third plan, the figures would be reduced by an average of $43,000 a year, by savings on annual interest and redemption of $900,000, the amount of premium under the second plan.

In its estimates of the probable financial results of municipal purchase and operation the Bureau estimated the probable revenues of the system for future years, deducted therefrom the estimated expenditures of future years as though the present private operation were continued, and to the result

added or deducted debt charges and items of estimated increased expense or savings under municipal ownership and operation.

For estimates of total income for the future—passenger, miscellaneous and non-operating revenue—the Bureau applied the average annual increase in passenger revenues over the period 1920 to 1924 inclusive. This amounts to 1.4 per cent annual increase which as applied to the future has the effect of compounding. Market Street Railway officials object to this basis, claiming that it is too low, that a longer period should be selected, and that a longer period would show an average annual increase of 3.8 per cent. While a longer period of the past would be preferable as a basis for estimates of the future, the period used by the Bureau was selected as representative of recent actual experience, avoiding abnormalties of war years, and actually reflecting the effect on company revenues of an accelerated rate of population increase since 1920, the effect on company revenues during recent years of actual jitney competition and the use of private automobiles for business and pleasure, and reflecting also the effect on company revenues of Municipal Railway paralleling along the whole length of Market Street, which started in 1918 and intensified as service on Municipal Railway lines was increased. A longer period would not accurately reflect these actual important conditions as they effect Market Street Railway revenues, and would therefore produce a distorted result. Company officials point out, relative to the effect of Municipal competition on company revenues, that with both systems owned by the city, there would be no future *increase* in the rate or effect of present Municipal competition.

Estimated Increases and Decreases Under Municipal Operation

Normal operating and other expenditures such as depreciation and taxes, were calculated for future years as a percentage of total income, the actual percentage used being the average for 1922, 1923 and 1924, the three complete fiscal years since reorganization of the company in 1921. By subtracting such estimated annual expenditures from the annual estimates of income, a figure is secured as a starting point for the application of bond interest and redemption charges under the proposed purchase ordinance, and the estimated economies or additional charges that would accrue under municipal operation. Such economies or additional charges are as estimated by the City Engineer in his 1921 Market Street Railway purchase report or as subsequently revised by the City Engineer.

Tax payments under private ownership represent an automatic saving under municipal ownership; the amount of these for future years was estimated as the percentage of estimated total income, the actual percentage used being the average for the 1922, 1923 and 1924 operations of the company.

An unavoidable increase in cost is represented by a necessary increase in force, under municipal operation, to meet the city's eight hour schedule as compared with the company's ten hour schedule at the same rate, to provide for twelve days' vacation a year and Saturday half-holidays with pay, to provide also the cost of municipal pension payments out of revenues, and more liberal over-time pay provisions, and to readjust rates of pay in cases where these may be less than the city's rate. These conditions will require a certain increase in operating cost for labor under municipal operation of the properties. The City Engineer estimated this increase in 1924 as $2,100,000. Company officials believe this to be high, although stating they have not attempted to actually compute it, and think it should be between $1,800,000 and $1,900,000. The Bureau estimates use the $2,100,000 figure as of 1924 and apply the ratio of this sum to 1924 operating expenditures, to determine the amount for future years.

In addition to taxes referred to above, other economies under municipal ownership are estimated by the City Engineer. These include:

Elimination of presidents and directors and legal expenses	$ 275,000
Adjustment of schedules (2,000,000 car hours)	650,000
Increased revenue by elimination of jitneys	500,000
Reduction in accident and damage claims	50,000
Combination of shop work	70,000
	$1,545,000

Such savings while possible cannot all be considered as certain. The elimination of jitneys and adjustment of schedules are subject to legislative action and, if seriously opposed by those who may consider themselves as adversely effected, may be modified, deferred or not secured. Also, the number of licensed jitneys has dropped from 566 to 398, since the City Engineer's original estimate in 1921; this would indicate a shrinkage in this item, if secured. Such estimated economies as involve the elimination of personnel may not be possible of complete fulfillment, due to a charter civil service provision which provides that, ('Persons employed for not less than one year in the operating service of a utility acquired by the city shall be preferred for appointment') "and such persons so employed at the time a public utility is acquired by the city shall continue in their positions."

Other items of increased *cost* under municipal ownership as estimated by the City Engineer, in addition to labor costs referred to above, involve additional amounts for maintenance and depreciation requirements and for contingencies. Additional maintenance cost is estimated by the Engineer at 1.6c per car mile for 24,000,000 car miles, equivalent to $384,000 a year. Additional requirements for contingencies are estimated by the Engineer as $80,000 annually, to be held intact and to accrue on a sinking fund basis. Depreciation requirements are estimated by the City Engineer as ranging between $1,000,000 and $1,320,000 or, with the estimate for

contingencies, an increase over the 1924 depreciation charges of the Market Street Railway of from $544,000 to $864,000 per year. The Bureau by the use of a factor of 3.2 per cent annually of the $36,000,000 valuation placed on the property, uses in its estimates the sum of $616,000 as the additional amount for the items of depreciation and contingencies.

Company officials strenuously oppose the need of any additional sum for this purpose. They state that replacements of plant, ways, structures, equipment, etc., have always been adequately handled by the company as part of its maintenance expenditures, and that the Railroad Commission made a finding that $257,000 a year was the proper charge to cover depreciation. If, as claimed, the component parts of the property have been adequately replaced out of maintenance expenditures, as rapidly as actually required by efficiency and economy of operation, and by the public use of track areas in streets, this item could be eliminated.

If on the other hand, such replacements and renewals have not been adequate or have not been made with sufficient speed, additional amounts for such replacements and renewals must come from annual income under municipal ownership and operation. The City Engineer estimates additional requirements not only for depreciation but also for maintenance, which latter expenditure, according to company officials has in the past, and does at present, provide for all necessary replacement and renewal expenditures.

The $1,000,000 estimated, as stated above, as possible additional charges for maintenance and depreciation requirements under municipal operation, when applied against the $1,545,000 estimated as possible economies under municipal operation, leaves a net gain (exclusive of taxes and increased wages, previously referred to) of $545,000 a year under municipal operation for this group of items. This figure has been so applied in the Bureau estimates.

As a result of these bases of calculation, it is estimated that operating deficits would be practically certain. If the $12,500,000 of mortgage bonds is refunded by the issuance of municipal bonds which do not start to mature for five or ten years, such annual deficits may be avoided for the early group of years, but would occur as soon as redemption of the bonds started. Over the whole period of the purchase the difference for the *average* year would be represented only by the saving in interest charges, averaging $120,000 to $150,000 annually.

The actual amount of probable deficit in any specified year is dependent on the depreciation item referred to above, on how much of the estimated economies under municipal ownership will actually accrue, and on whether the city continues the company's obligations under the mortgage bond issue or refunds this by the issuance of municipal bonds. If refunded on a

4½ per cent interest basis, a probable annual surplus approximating $100,000 for the first five years is indicated *if all savings are secured and if no additional amount is required for depreciation.* This would change to a deficit in 1931, assuming that redemption starts after five years, and deficits should continue annually until 1946. Less favorable conditions relative to depreciation charges or possible economies would, of course, extend this period.

If estimated economies are all secured, if refunding of the 7 per cent mortgage bond issue is accomplished, and if the City Engineer's estimates of additional depreciation requirements are sustained, there will be a continuous period of annual deficits ranging from approximately $500,000 in the early years to over $1,300,000 in 1932 and gradually diminishing in successive years until changed to an annual surplus about 1955.

Finally, if the actual annual increase in total revenues is higher than the 1.4 per cent rate estimated by the Bureau (averaging 1.55 per cent by compounding) this will have an important favorable effect on these summaries.

Valuations of Market Street Railway Properties

Company officials and proponents of the proposed purchase, emphasize the fairness of the $36,000,000 price placed by the company on its properties, by comparing this with independent valuations made of the properties in 1920 by the Railroad Commission and in 1921 by the City Engineer.

The Railroad Commission valuation was made for the purpose of fiscal reorganization. Its inventory of company properties was priced at the price levels of 1918, 1919 and 1920, and results in a depreciated physical valuation of $41,424,961.

A Railroad Commission valuation for the purposes of fiscal reorganization does not constitute a valuation for the purposes of rate-making or purchase. The 1920 valuation is therefore no guarantee as to the figure the Commission would fix as a valuation, under present-day conditions, for purchase by the city.

The City Engineer's valuation, reported September 10, 1921, was in conformity with a resolution passed by the Board of Supervisors, directing that such valuation be made for the purpose of purchase by the city of the company's properties. It was based on the inventory made by the Railroad Commission in 1920, but priced on the basis of 1913-1917 "as one of the average five-year price periods of the past, to represent the anticipated prices that may probably prevail in the future."

On this basis "the result obtained represents the reproduction cost new of this property as being $35,300,000."

Physical condition of all property was noted by a field survey, and depre-

ciation computed as $8,600,000. Deducting this from reproduction cost new, the present (1921) value of the physical properties (exclusive of any allowance for going concern, development or other intangible values) was determined as $26,700,000.

The City Engineer's valuation report elsewhere refers to Railroad Commission, Company and City Engineer's valuations and states, "In my judgment, it is conservative to state that reproduction cost new less depreciation of this property as of today "(1921)" cannot be less than $35,000,000." Elsewhere the report states, "Taking into consideration all of the elements which enter into the problem, I have determined that the fair price which the city should pay for all of the properties of the company * * * and including both physical property *and the future earnings,* is the sum of $40,000,000."

In this report, reproduction cost new less depreciation, on one price basis, is estimated as $26,700,000, and on a 1920 price basis as "cannot be less than $35,000,000." Company officials, in urging this in support of the $36,000,000 price, state that additions and betterments to the extent of over $1,250,000 have since been added.

Both estimates—City Engineer's and Railroad Commission— are based on the conditions of four and five years ago. The use of these, in support of the $36,000,000 proposed price, presupposes that present-day prices are the same as or higher than, the price levels for the periods used. Present-day price levels, or price levels over the last three or four years, as reflected by index numbers of wholesale prices of all commodities would increase the City Engineer's $26,700,000 valuation and decrease the 1920 valuation basis of the Railroad Commission.

The use of the 1920 and 1921 valuation figures likewise assumes that reproduction cost new, less depreciation, is the sole factor to be considered in fixing a fair price that the city should pay for the company's properties. The Bureau understands that this is the basis used by the Railroad Commission in valuation proceedings for purchase or rate-fixing.

Advantages of Unification

The ordinance if adopted by a favorable vote of two-thirds of the voters on the proposal, would:

(1) Provide for the co-ordination of two of the local street railway systems (Municipal Railway 68 miles and Market Street Railway 286 miles); (2) make possible the elimination of such unnecessary competition, paralleling or duplication as now exists between lines of the two systems; (3) permit the issuance of transfers between the connecting lines of the present separate systems; and (4) facilitate the planning of extensions in an orderly and economical manner. The purchase would automatically

remove the property from the restrictive franchise conditions, imposed by the charter on privately-owned lines, which conditions have for years prevented the proper development and extension of San Francisco's street railway transportation facilities.

The purchase would not in itself provide for new extensions; these would still, as at present, require new capital or surpluses from operating revenues. Nor would it automatically eliminate unprofitable duplication of, or competition between lines; these would require administrative action and, if opposed, would probably also require legislative approval.

The above mentioned advantages are advantages of purchase or of unification as an abstract proposal. There is the possibility of offsetting disadvantages to be considered, resulting from unbusiness-like policies and financing under the city's existing uncentralized system of control of Municipal Railway matters, from the comparatively high cost of operating labor now in effect on the Municipal Railway, and from the demonstrated ability of the railway employees' organization to have operating, compensation and disciplinary measures taken out of the hands of operating officials and fixed by charter amendment. These matters have been reported on from time to time in the columns of THE CITY, and have been the basis of repeated proposals that a Utilities Commission be created for the control and management of city-owned utilities.

The City's Transportation Problem

Rejection of the purchase proposal on the November ballot will not solve the city's transportation problem. It has been stated on many occasions that San Francisco's proper growth and prosperity depend on adequate solution of this problem, which is one of long standing in our municipal affairs.

The problem developed primarily from the restrictive charter provisions relative to franchises, under which privately-owned companies do not find it profitable to make extensions, nor can they secure necessary capital to defray the cost of such extensions. The initiation and growth of the city's Municipal Railway was practically forced by this condition. It created the necessity of the city going into the railroad business if 1915 Exposition traffic was to be handled, and if additional street railway lines were to be built. The city, of course, is totally free from the restrictive franchise provisions of the charter that govern the privately-owned companies.

Under these restrictive conditions practically no extensions of the privately-owned street railway systems have been built during the last twelve years.

The problem is made up of the separately-controlled street railway systems, creating the necessity of paying two fares where transfers between

the systems are not now provided for; the inability of the private systems to expand in keeping with the city's growth; the forced necessity of attempting to solve the problem of extensions by adding other units to the Municipal Railway system, regardless of whether such additional units are best created as extensions to Municipal rather than privately-owned lines; and the approaching expiration of franchises on Market, Sutter, McAllister, Valencia and other important streets.

Steps Toward a Proper Solution

The Bureau proposes as constructive steps toward such a solution the fixing of an agreed price between representatives of the two systems, or, as this has been impossible in the past, the fixing of such a price through the agency of the Railroad Commission; the submission of such fixed price to the voters for their rejection or approval; the submission to the voters, as an alternative, of a charter amendment that will provide for the resettlement of existing franchises; and the creation of a Utilities Commission with adequate power to operate the city's present Municipal Railway and any additions or extensions thereto by acquistion or construction, as well as the operation of any other utilities later acquired by the city.

Negotiations between representatives of the city and the company with the view of reaching a negotiated price would probably be no more fruitful of results than in the past. By the institution of condemnation proceedings of the privately-owned properties, the city may then request the Railroad Commission to make a valuation of the company's properties. This will produce a valuation, as a basis for purchase, which could not be considered as a seller's price, and which would represent the sum that the city must expend if it is to take over the privately-owned systems.

As a practical alternative to purchase, and to move toward a solution in the event that the voters reject a purchase proposal based on a negotiated or scientifically-fixed price, a charter amendment authorizing the granting of resettlement franchises should be submitted at the same election as is the question of purchase. As amendments to the charter can be voted on only during certain periods, efforts should be made to bring a purchase proposal, and the charter amendment alternative, before the people in November, 1926, or early in 1927. The proposed charter amendment should authorize the Supervisors to grant such franchises, subject to ratification by vote of the people. Such franchises should provide for universal transfers, for means of co-ordinating the construction of necessary extensions, for the rates of fare to be charged and the manner in which such rates may be revised, and for the method of fixing the price, or perhaps the actual price, as a basis for future purchase by the city.

The submission also of a charter amendment providing for the creation of an appointive Utilities Commission, vested with adequate powers for

the management, control and operation of municipally-owned utilities is required for business-like management and control of city-owned utilities. Only by the creation of such a commission, vested with adequate powers, can there be any prospect of success under the city's charter policy of ultimate ownership of public utilities. The need therefor is emphasized by the expansion of the 68-mile Municipal Railway into a property with about 350 miles, if the Market Street Railway system is purchased.

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The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

VOL. V NOVEMBER, 1925 NO. 12

Change Proposed in Municipal Railway Accounting

Evaluation of Power Systems Before Railroad Commission

Scientific Traffic Study Needed

San Francisco Retirement System

Issued by

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The City

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Change Proposed In Municipal Railway Accounting

The Public Utilities Committee of the Board of Supervisors has before it for consideration an ordinance which, if adopted, will change the present methods of setting up the Municipal Railway reserve funds.

The present ordinance provides that 18% of the gross revenues of the road be set aside in a so-called depreciation fund to be used not only for depreciation purposes but also to cover accident and damage claims and bond redemption.

Expenditures from this fund have not been confined to the purposes specified in the ordinance but have been made also for additions and betterments and to cover operating deficits.

At the present time only about $750,000 remains in the fund and further extensions and improvements to which the Board of Supervisors is committeed if completed, would more than wipe out this amount.

As a result of a scientific study of the depreciation requirements of the Municipal Railway the Bureau estimated that the depreciation reserve should have amounted to approximately $2,900,000 on June 30, 1925. Had the net amount set aside from the 18% of gross revenue for depreciation purposes been kept intact, except for legitimate depreciation and replacement expenditures made, the reserve would have amounted to approximately $2,850,000 on that date.

The principal provisions of the proposed ordinance are: (1) That a sum equal to 4% of the depreciable assets of the Municipal Railway and

its equipment (to be determined at the end of each year) shall be set aside annually out of the revenues of the road for replacements, reconstruction and depreciation and that any surplus shall be invested in bonds and the interest credited to the depreciation fund. (2) That 2% of the gross passenger revenue shall be set aside for accident and damage claims. (3) That the necessary amounts be set aside in season to pay the interest and redemption on outstanding Municipal Railway bonds.

The ordinance also provides that $300,000 shall be transferred from the present depreciation fund to the new depreciation reserve fund and that $100,000 shall be transferred from the present depreciation fund to the accident reserve fund and requires that the accounts be kept in accordance with the Interstate Commerce Commission's classification for electric railways and that a complete profit and loss account and balance sheet be furnished monthly.

The present method of setting up all the reserves in one fund has caused much confusion as to their actual condition and the proposal to separate the funds and to change the basis of determining the amounts to be set aside for depreciation from a percentage of the gross revenues to a percentage of the value of the property is, in principle, a step in the right direction and should do much to clarify the situation.

The term "Depreciable Assets" as used in the proposed ordinance is, however, subject to various interpretations and if this was made to read 4% of the value of the Municipal Railway and its equipment exclusive of the cost of land, it would be definitely understood and readily computed.

In view of the fact that the present so-called depreciation fund has been depleted by its use for almost every other purpose than depreciation the new ordinance should also provide that the reserve funds shall be used only for the purposes specified.

Evaluation of Power System Before Railroad Commission

The State Railroad Commission began hearings in October on the proceedings instituted by the City of San Francisco to fix a valuation on the local properties of the Pacific Gas & Electric Co. and the Great Western Power Company for purchase or condemnation by the city for the municipal distribution of Hetch Hetchy power.

An evaluation of those parts of the properties of the two companies which the City deems will be useful for municipal distribution of power, has been made by the engineers of the Railroad Commission after a survey which took approximately twenty months to complete and on which a maximum of 65 men were employed. The values reported by the engineers at the Great Western Power Company hearing on October 20 and

at the Pacific Gas & Electric Co. hearing on October 27 were on the reproduction cost new of the physical properties of the companies as of February 11, 1924, the day the proceedings were instituted.

For the purposes of comparison, several appraisals were computed, based on the average costs of units for periods varying from one to five years, and an appraisal was computed on the actual costs of the units for one day, that day being February 11, 1924.

These appraisals were as follows:

	3½-year period	5-year period	4-year period	3-year period	2-year period	1-year period	1-day
GREAT WESTERN POWER COMPANY							
Operative and Non-operative Capital	$ 7,468,573	$ 7,621,159	$ 7,583,930	$ 7,303,168	$ 7,218,593	$ 7,395,873	$ 7,436,306
Universal Gas & Electric Co.	2,785,437	2,818,831	2,819,514	2,731,751	2,709,425	2,765,554	2,787,940
Total	$10,254,010	$10,439,990	$10,403,444	$10,034,919	$ 9,928,018	$10,161,427	$10,224,246
PACIFIC GAS & ELECTRIC CO.							
In San Francisco County	$23,913,042	$24,359,057	$24,277,712	$23,453,753	$23,153,118	$23,644,377	$23,775,005
In San Mateo County	555,583	555,453	560,802	548,336	543,538	550,394	556,550
Total	$24,468,625	$24,914,510	$24,838,514	$24,002,089	$23,696,656	$24,194,771	$24,331,555

These figures show the highest cost to be based on an average of prices for a five-year period, the lowest for a two-year period and a medial figure to be that of the actual cost on one day.

It must be made clear that the values arrived at do not take into consideration the depreciation of the property, improvements under construction on February 11, 1924, and completed since that date, or improvements undertaken subsequently; but they do include property which may have been written off the books for replacements or obsolescence since that date.

The evaluation of the Great Western Power Co. includes that of the Universal Gas & Electric Co., a subsidiary in which the Pacific Gas & Electric Co. has since acquired a half interest.

The evaluation of the Pacific Gas & Electric Co. does not include the transmission line from Newark and the New Martin substation, which is the transmission line terminus at the county line. The City Engineer, in his report to the Board of Supervisors on June 20, 1924, estimated the cost of this transmssion line and the substation at $1,000,000, and he calls attention to the fact that, if the City acquires the local properties of the Pacific Gas & Electric Co., the company will not need these properties and the City will.

In the same report the City Engineer, with a limited time and means

at his disposal, estimated the reproduction cost new of the properties of the Great Western Power Co. at $9,000,000 and of the Pacific Gas & Electric Co. at $23,500,000. His figures divided the value of the Universal Gas & Electric Co. equally between the companies and embraced some properties which are not included in the City's proceedings, but which he was unable to separate properly with the limited information at his disposal.

The reproduction cost new is only one of the factors to be considered by the Railroad Commission in fixing a fair value for the properties of the privately-owned power companies in San Francisco. Other factors are the present depreciated condition of the properties and "intangibles," which include organization costs and severance damages.

The City Engineer in his June 20th report also estimated the total cost of a new system, duplicating that of the properties of the Great Western Power Co. and the Pacific Gas & Electric Co. at $45,000,000.

Counsel for the Pacific Gas & Electric Co. in a statement made at the October 27th hearing, declared that a full price for the Pacific Gas & Electric Co. local properties will be in the neighborhood of $55,000,000. Among the items mentioned to be added were: $10,000,000 for severance damages, $1,750,000 for construction work now completed, $5,000,000 for capital expenditures and $1,500,000 for the Pacific Gas & Electric Co. half interest in the Universal Gas & Electric Co.

Counsel for the Great Western Power Company gave out a statement that other factors will double the reproduction cost figures, when a final price on the Great Western Power Company properties is fixed by the Railroad Commission.

The Engineers of the Railroad Commission are to make reports on the depreciation of the properties of the Great Western Power Company on December 4, and of the Pacific Gas & Electric Co. on January 12, 1926. Shortly after these hearings the counsel for the City and the counsel for the companies will have opportunity to present their own evidence on the reproduction cost new and depreciation and to cross-examine the Commission's experts. This step will be followed by presentation of facts by counsel of both parties on the items of "intangibles" and severance damages.

Upon all of this evidence submitted, the Railroad Commission will base its decision. In view of the volume of evidence yet to be taken, it is probable that the City will not know what price the Commission will fix for these systems until midsummer of 1926.

Scientific Traffic Study Needed

The recent action of the Board of Supervisors in opposing one way traffic regulation on Bush and Pine Streets, probably influenced by protests from adjacent property owners, again emphasizes the urgent need of a comprehensive study of San Francisco's traffic problems as a whole. Effective traffic legislation should be based on recommendations coming from qualified sources as a result of scientific study, and not on the representations of groups interested primarily in specific streets or localities.

The situation calls for an accurate measurement of the demands for transit, an analysis of travel habits of our population, and expert consideration of physical obstacles imposed by the general topography of the city and its peculiar street layout. It is only as a result of such study that a coordinated transportation plan can be developed which will give a maximum of speed, comfort and safety at a minimum of cost.

Neither a traffic commission meeting periodically or police officials engaged in administrative duties can be expected to satisfactorily develop such a plan. It is essentially an engineering problem, and of such vital importance that it merits the undivided attention of a technical traffic expert with an adequate staff of trained observers.

The growth and development of a city depends on the effectiveness of its transportation facilities in much the same way that the development and health of our bodies depends on the free and uninterrupted circulation of blood through our circulatory systems. In both cases circulation is of vital importance. High blood pressure and traffic congestion are synonymous, and the rapidly hardening traffic arteries in San Francisco call for expert attention on the part of specialists fully qualified to diagnose conditions and prescribe the proper remedies.

San Francisco Retirement System

Under a charter amendment, proposed by the Mayor and voted by the people in 1920, the Board of Supervisors was empowered to establish a retirement system for all regular employees of the city and county with certain exceptions including elected officials, officers appointed by the Mayor, persons employed under contract, employees engaged on Hetch Hetchy construction work outside the city, and members of the Police and Fire Departments for which separate pension systems had previously been established. This grew out of the necessity of providing a humane method of retiring employees who had given many years of their lives to the city service, and who, on account of advancing age or disability, were no longer able to adequately perform such service. The replacement of aged and disabled employees by younger and more efficient workers also promised economies by increasing the efficiency of the service.

The Charter amendment provided that the system be maintained on the reserve basis, and that the fund created be sufficient at all times to cover liabilities as they are incurred rather than as they mature. The amendment also required compulsory retirement at the age of seventy, and authorized retirement at age sixty when employees had completed thirty years of continuous service, or retirement between the ages of sixty-two and seventy after ten years of continuous service, or prior to reaching age sixty-two, after ten years continuous service, if physically or mentally incapacitated.

The amendment also limited contributions by employees under fifty years of age to not more than five per cent of their salaries, and by employees over fifty years of age to not more than ten per cent and authorized the purchase of pensions in addition to those provided in the system by making additional contributions which are not matched by the city.

As required by the amendment, a Board of Administration of seven members was organized in March, 1921. The Board of Administration immediately secured the services of one of the foremost actuaries in the country, in compliance with the provisions of the amendment which called for an actuarial report, and specified that the actuary's tables and valuations should be final in establishing the system.

After nine months of study the Board of Administration proposed an ordinance establishing the conditions and procedure for the administration of the system, in accordance with the findings of the actuary. This, with minor changes, was adopted by the Board of Supervisors on February 6, 1922. The system, which became operative in April, 1922, established a "compulsory" system, bringing in all eligible employees under a "contributary" pension plan, the employees' contributions being matched by an equal amount from the city. In addition the city was required to contribute the entire amounts necessary to cover prior service—service performed prior to the inauguration of the system. The system established death and disability benefits, in addition to retirement allowances, with a minimum retirement allowance of $40 per month for those members receiving credit for prior service and being forced to retire at age 70.

A report on the system issued by the Board of Administration and covering the fiscal year ended June 30, 1925, shows that there were 3950 members on July 1, 1924, and that 569 employees became members during the year. During the year, however, 288 members withdrew on account of separation from city service; 67 died, and 36 were retired, leaving a total membership of 4128 on June 30, 1925.

The number receiving retirement allowances on July 1, 1924, was 184; members retired during the year totaled 36; 20 retired members died during the year and one member was reinstated from disability retirement, leaving a total of 199 receiving retirement allowances on June 30, 1925.

The assets of the system at July 1, 1924, amounted to $1,373,665. Income for the fiscal year 1924-25 was as follows: Normal contributions of members, $344,500; contributions by the ctiy to match normal contributions of members, $344,500; contribution of the city to meet prior service obligation, $134,700; contribution by the city to meet administration expenses, $9,532; interest on investments, $72,666; miscellaneous, $2,093, a total of $907,992.

Disbursements during the year were as follows: Service retirement allowances, $83,367; disability retirement allowances, $6,825; death benefits, $80,656; contributions withdrawn, $26,003; administrative expenses, $9,533; miscellaneous, $2,065; a total of $208,449; leaving a balance of $2,073,208 on June 30, 1925.

As previously stated, the system is established on the reserve basis, that is to say, the liabilities are provided for as they are incurred rather than as they mature. These liabilities as at June 30, 1925, amounted to $2,095,929, and cover the accumulated contributions of both the members and the city and the then present value of retirement allowances, but do not include the liability for prior service, except approximately $49,000, credited to the city for this purpose. In this connection the report states that the checking of prior service rendered by individual members has not been completed and that the exclusion of this liability does not affect the condition of the system since the city has definitely assumed the liability for prior service whatever its amount may be.

The ledger assets at the same date amounted to $2,073,208, and non-ledger assets, the then present value of the city's accumulated contributions to be released by death and disability retirement, amounted to $26,927, or a total of $2,100,135, leaving a surplus of $4,206. This small surplus is due to the fact that interest earned on funds invested in city, state, and federal bonds, since the establishment of the system is greater than the interest credited to the members and the city on the contributions made by them.

In November, 1924, the people by Charter amendment authorized the extension of the system to teachers in the School Department. The Board of Supervisors adopted an ordinance making this effective as of October 1, 1925. This added approximately 2500 members to the system and brought the total membership to over 6600.

The teachers became members of the system on the same basis as the other employees except that their rates of contribution and benefits are based only on that portion of their salaries paid from city funds, estimated by the Retirement Board as 70%, and varying from year to year, and not on the portion paid from State funds. They are allowed, however, to participate also in the State teachers' pension system.

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A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. V December, 1925 No. 13

Disposition of Hetch Hetchy Power Revenues

Changes in the Official Family

Recent Municipal Events

Hetch Hetchy Water Construction Program

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Disposition of Hetch Hetchy Power Revenues

The Board of Supervisors has under consideration a proposed ordinance to create a Hetch Hetchy operative fund, which is required by the Charter for the proper financial control of the City's new power utility.

The Charter provides that when the City shall operate a public utility, the receipts shall be paid into the city treasury and maintained in a special fund. Appropriations from such fund shall be made for the following purposes:

(a) Payment of operating expenses;

(b) Repairs and reconstruction;

(c) Payment of interest and redemption of bonds issued for such utility;

(d) Extensions and improvements;

(e) Reserve fund.

Whenever the reserve fund shall exceed one-half of the payment for operating expenses in the preceding fiscal year, the Supervisors shall have the power to appropriate such excess to the general fund.

An opinion of the City Attorney has held that payments shall be made in the order specified above.

The proposed ordinance, as originally drawn up by the Public Utilities Committee, provided for the following appropriation of receipts for the ten and one-half months of the present fiscal year that the power utility will have operated: For operation and maintenance, $166,666; for depreciation reserve, $83,333; for debt charges, a sufficient amount to meet the interest and redemption on $21,000,000 of bonds. For each succeeding

fiscal year, commencing July 1, 1926, the amounts to be set aside were: For operation and maintenance, $200,000; for depreciation reserve, $175,000. The proposed ordinance further provided that the balance in the fund, after the first three provisions had been taken care of, or had not been appropriated for specific additions or betterments, shall be applied exclusively towards the acquisition or construction of a transmission line from Newark to San Francisco.

An amendment to the tentative ordinance was proposed by the chairman of the Finance Committee to place the value of the bonded debt chargeable against the power utility at $8,000,000 instead of $21,000,000, and to reduce future depreciation appropriations from $175,000 to $100,000.

Opposition has been voiced to the change and the matter has been postponed for action by the incoming Board of Supervisors.

It has been estimated that the interest and redemption of bonds for the current fiscal year, based on a $21,000,000 valuation, would approximate $1,377,000. On a valuation of $8,000,000 the debt charges would approximate $537,000. There would thus be a difference between the valuation methods of approximately $840,000, which, under the Charter, may be applied to extensions and improvements and for a reserve fund.

The chief question arises over the amount of bonds to be charged to power development. Inasmuch as the City in 1910 voted $45,000,000 for water utility construction, and power was a part thereof, it becomes a question as to what division of the bonds shall be made between water and power. The City Engineer in 1923 estimated that $18,000,000 would be a fair valuation of the power development, and in 1925, after more complete data had been obtained, he placed a valuation of $21,000,000 on power. It was explained that these estimates were judged "reasonable and equitable." They include the cost of the power house and transmission lines, and, as specified in the Raker Act for rate-making purposes, "a fair proportion of cost of conduit, lands, dams and water-supply system."

In an opinion rendered to the Board of Supervisors the City Attorney said that for the purpose of more accurately allocating the capital costs, an analysis of the construction costs is now being made by a firm of expert accountants, and, in consultation with the chief engineer of the California Railroad Commission, a proper distribution against the water and power features will be determined.

The decision as to whether the Board of Supervisors shall place a valuation of $21,000,000 or $8,000,000 on the power utility has a direct bearing on the financing of this year's budget, the future financial burden of the City, and the sound administration and operation of the Hetch Hetchy project.

Originally it was the announced intention of the Finance Committee to

appropriate approximately $1,377,000 (or the equivalent of the debt charges on a $21,000,000 valuation) of Hetch Hetchy revenues for the ten and one-half month period of operation this year towards the funding of the bond interest and redemption charges in the 1925-1926 budget. Subsequently an informal opinion of the City Attorney held that the full amount of bond interest and redemption charges must be levied in the tax rate ordinance to safeguard the City's credit, if, for any reason, the anticipated revenue for Hetch Hetchy power did not accrue. The Chairman of the Finance Committee then stated that sums received from Hetch Hetchy power for debt charges would be credited to the bond interest and redemption fund, but, as surpluses would be created in this fund, the equivalent of such sums would, by transfer, be placed in the general fund for financing budgeted public improvements. The tax rate for the general fund was consequently reduced by an equivalent amount in anticipation of these revenues.

The Bureau, in its September issue of "The City," questioned the legality of this procedure in view of Charter provisions which specify that surpluses in the bond interest and redemption fund must be carried over to be applied to the same fund for the ensuing fiscal year. There are also Charter provisions prohibiting the transfer of money from one fund to another which may also be applicable at least until the reserve fund shall exceed one-half of the operating expenses in the preceding fiscal year.

At a recent session of the Board of Supervisors, in support of a change in the allocation of power bonds, the chairman of the Finance Committee announced that if a sum of $1,377,000 for debt charges was to be set aside in the operative fund this year, it would not be available until the following fiscal year and then only for debt charge purposes. This is in conformance with the Bureau's opinion. To obviate this tie up of funds, he proposed that a lower valuation ($8,000,000) be taken in order that a larger surplus might accrue and be applied towards financing of the general improvements contemplated with Hetch Hetchy revenues.

This proposal also, in the opinion of the Bureau, falls within the ban of Charter provisions which would prohibit the transfer of funds until the provisions relative to the reserve fund are fulfilled.

A valuation of $8,000,000 will have a serious effect on the future financial burden of the City. The difference in the amounts to be set aside for debt charges between the $21,000,000 and the $8,000,000 valuations is approximately $840,000, if it is to be retained in the power operative fund to be used for extensions and improvements and for a reserve fund, will mean that its equivalent will have to be raised in the tax rate each year to meet bond interest and redemption payments.

From an economic standpoint the Hetch Hetchy power project should "carry itself." The taxpayers should not be burdened with Hetch Hetchy

bond interest and redemption charges for the purpose of creating an artificial surplus in the power revenue fund.

An $8,000,000 valuation also has more far-reaching effects in the subsequent development of our power utility. The Raker Act requires that a valuation of the capital costs of the power system shall be made for establishing a rate base for the sale of power. If the capital charge is too low, as the $8,000,000 valuation would appear to be, the power rates would be lower than a legitimate cost, and the water rates would be higher than a legitimate cost. There will also be a serious effect as the valuation will apply to the cost of power to the irrigationists of the San Joaquin valley, who, under the Raker Act, can purchase power at cost.

One of the chief arguments for the development of the power project in advance of the water system has been that benefits will accrue from the sale of power which will ameliorate the cost of debt charges against the water utility.

The effect on the sound economics of the future administration and operation of the entire Hetch Hetchy project, when both power and water utilities are considered, is of such importance that careful consideration, based on the report of experts, should be made by the Board of Supervisors as to the allocation of the capital charges so that each utility shall carry its just share of the cost of the entire project.

Changes In The Official Family

As a result of the election last November, several of the present City officials will retire on January 4, 1926. Seven Supervisors, the City Attorney, the Treasurer, and the Public Administrator will be replaced by newly elected officials. Two Supervisors, the Recorder, Tax Collector, two Police Court Judges, and one member of the Board of Education, were re-elected for the ensuing term. One Supervisor whose term does not expire until January, 1928, was elected to the office of Public Administrator. This will leave a vacancy on the Board which will be filled by appointment by the Mayor. One Supervisor whose term expires January 4 did not run for re-election. Six of the present Supervisors who ran for re-election were defeated. Of the nine Supervisors elected, therefore, but two are hold-overs from the old Board. There are eighteen Supervisors on the Board, nine of whom are elected every two years for a four year term.

The terms of one member of various Boards and Commissions also expire at this time. These officials are appointed by the Mayor and include a member of the Board of Public Works, Board of Health, Police Commission, Fire Commission, Park Commission, Election Commission, and City Planning Commission. One member of the Civil Service Commission was elected to the office of City Attorney and the vacancy thus created is also to be filled by the Mayor.

Recent Municipal Events

10c FARE ON SUBURBAN CARS: The Board of Supervisors has authorized the Market Street Railway Company to collect a 10c fare inside the city limits on its San Mateo cars. This was requested by San Mateo County representatives to discourage the use of these cars by short haul riders and assure seats for San Mateo County passengers.

CIVIC CENTER PLANS: A general plan for the beautification and future development of the Civic Center is being considered by the Board of Supervisors. The matter has been brought to a head by the erection of a theater building at Market and Hyde Streets. The owners of the building have stated a desire to make the Hyde Street elevation conform architecturally with Civic Center plans and have asked the Supervisors to determine upon the design. The Civic Center Architectural Commission has in mind the erection of a facade along a 20 foot strip of city land on the south side of Fulton St. to hide the private buildings on the gore block bounded by Market, Hyde and Fulton Streets, and to preserve the architectural features of the Civic Center. Several sketches for this facade have been prepared and placed on exhibition in the City Hall but the final selection has not yet been made. The center portion of the Civic Center plaza has been paved with brick and stone. A proposal to pave the balance of the plaza walks has been postponed pending the receipt of new bids and the awarding of a contract.

FUNDS SOUGHT FOR PALACE OF ARTS: The City Planning Commission has requested the Board of Supervisors to transfer $290,000 appropriated in this year's budget for the purchase of land for an exposition building site on the Marina but not expended for this purpose, to a fund to be used for the restoration of the Palace of Fine Arts, the last remaining building of the Panama Pacific International Exposition.

ADDITIONAL BUILDING INSPECTORS REQUESTED: A request of the Board of Public Works for two additional structural engineers and six additional field inspectors in the Bureau of Building Inspection was refused by the Board of Supervisors for lack of fifteen votes necessary to appropriate the money required for the purpose from the Urgent Necessity Fund. The vote was 12 to 4. The request was prompted by the collapse of a wall following the excavation of ground for an adjoining building. Eight field inspectors and one structural engineer, who works only half time, are now employed by the Bureau.

OBJECTIONS TO BAY BRIDGE PLANS: At a War Department hearing, December 20th, for the consideration of several requests for modification of a previous ruling which prohibited any high level bridge across the bay north of Hunter's Point, the Navy Department reiterated its objections to various plans for a bridge from San Francisco to the Oakland

side, claiming they would interfere with the proposed Alameda Naval Base site and obstruct navigation.

AUDITORIUM AND LIGHTING JURISDICTION TO BE DETERMINED: The press reports that the Board of Public Works has asked the City Attorney for an opinion as to whether the Board of Supervisors or the Board of Public Works has jurisdiction over the Civic Auditorium and the lighting of streets. These activities have been administered by standing committees of the Board of Supervisors for many years. The Board of Works claims that the Auditorium is a public utility and that the charter gives control of utilities and lighting to the Board of Works.

EMBARCADERO BUS LINE: The Mayor has been authorized by the Board of Supervisors to enter into an agreement with the State Harbor Commission for the payment of not to exceed $18,000 annually to the city by the state for two years as a subsidy to cover a portion of anticipated operating deficits on the proposed Embarcadero bus line. Necessary legislation for the establishment of the line has been passed and it is expected service will be inaugurated upon the completion of certain street construction along the route.

Hetch Hetchy Water Construction Program

The City Engineer has prepared a detailed estimate of expenditures necessary to complete the 17 miles of Sierra Foothill Tunnels and certain preliminary work on the 31 mile Coast Range Tunnel, contemplated under the $10,000,000 1925 Hetch Hetchy water bond issue. This budget, dated December 14, 1925, now before the Public Utilities Committee of the Board of Supervisors for consideration, proposes expenditures totaling approximately $8,000,000.

Continuation of the construction program entailing the expenditure of approximately $2,000,000, approved by the Board of Supervisors in August, 1925, will be made possible by the sale of $1,000,000 of the water bonds, bids for which will be received by the Board of Supervisors on January 11, 1926.

The work now under way consists of surveys, construction of camps, shafts and adits, roads, telephone lines, water supply, power transmission lines, and other preliminary work necessary before contracts can be let and work begun on the tunnels. According to the City Engineer this preliminary work will be completed between March 1 and June 1, 1926, and in order to take full advantage of this work and the forces already organized, it will be necessary to begin actual tunnel construction operations covered by the proposed $8,000,000 budget as preliminary work is completed.

The City Engineer's $8,000,000 estimate now in the hands of the Public Utilities Committee gives the total expenditures necessary to complete the Foothill Division as $6,350,000. This amount is made up principally of

$5,945,000 for fifteen and one-half miles of tunnel, and $200,000 for a regulating reservoir between Moccasin Creek Power House and the head of the Foothill Division Tunnel, the remainder is for a steel pipe siphon crossing of the Tuolumne River at Red Mountain Bar, and other miscellaneous construction.

The program proposed for the Coast Range Division consists of preliminary work similar to that on the Foothill Division, and necessary before actual construction on the tunnels can be started. Six shafts are to be sunk at intervals along the route of the 31 miles of tunnels so the work of driving the tunnels can be divided into from 3 to 5 mile sections. Another bond issue will be necessary to complete the work started on this division.

According to a report recently issued by the City Engineer, in addition to the $8,000,000 program and the work now under way, the Mountain development has been completed at a cost of $35,451,000 and the Bay Division, including a steel pipe aqueduct from Irvington, Alameda County, to the Pulgas Tunnel in San Mateo County, and the Pulgas Tunnel to the Spring Valley Water Company's San Mateo County reservoirs will be put into service about the end of January, 1926, at a cost of $5,696,000. An additional $4,310,000 has been expended for land, rights of way, water rights, payments to the U. S. Government, overhead and engineering, making a total of $45,457,000.

The Mountain division is being operated to generate power which is being carried over the City's transmission line to Newark. The City is receiving approximately $2,000,000 for this annually. Receipts from the Hetch Hetchy railroad, Lower Cherry power system and from lumber sales amounted to approximately $1,900,000.

Completion of the work now under way or contemplated under the $10,000,000 construction program authorized by the 1925 bond issue, will leave over 75 miles of aqueduct unfinished. In about three years it will be necessary to provide an additional amount, estimated by the City Engineer as $23,000,000, to complete the 31 miles of Coast Range Tunnel and construct the 45 miles of pipe line across the San Joaquin Valley. The latter portion of the aqueduct will be the connecting link between the Sierra Foothill and the Coast Range Tunnels, and the last major unit of the project.

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The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

VOL. VI JANUARY, 1926 No. 1

Frozen Funds May Cause Budget Cut

Completion of Dumbarton Crossing Increases Water Supply Facilities

Comparative Tax Rates of Various Cities for 1925

San Francisco's Bonded Debt Limit

Important Municipal Events

Issued by
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Frozen Funds May Cause Budget Cut

The Finance Committee of the Board of Supervisors, at the January 18th meeting of the Board, submitted a list of budget items totaling $2,141,000 from which it is proposed to make a selection to reduce expenditures for the present fiscal year by $1,400,000 to meet a reported shortage of this amount in 1925-26 revenues.

This shortage is the result of anticipating the use of revenues from the sale of Hetch Hetchy power for budget purposes during the present fiscal year which the City Attorney has held will not be legally available for such purpose until the next fiscal year.

The use of power revenue towards funding the budget was based on the assumption that one-half of the 1910 Hetch Hetchy bond issue of $45,000,000 would be charged to power development and that $1,400,000, approximately one-half of this year's interest and redemption charges on the bonds outstanding, would be available.

The full amount of all bond interest and redemption charges was provided for in the tax rate and the $1,400,000 was to have been applied to general fund appropriations.

The opinion of the City Attorney in declaring the power revenues not available is in conformance with the position taken by the Bureau in its discussion on the disposal of Hetch Hetchy power revenues in the December issue of "The City." This ruling holds that the charter provisions regarding public utility receipts must be followed, that sums set aside for bond interest and redemption are not available for use until the next fiscal

year, and that reserve funds cannot be transferred to the general fund until all the provisions of the public utility operative fund are fulfilled.

Practically all of the budget items proposed to be eliminated fall under three classifications: Those which will have to be reappropriated in the next or some subsequent budget, those for capital expenditure for projects which may be abandoned, and those for operating expenses which, if eliminated, would be saved.

Items which would have to be subsequently reappropriated amount to $1,519,000 and include such projects as the Civic Center War Memorial, construction of main sewers, Bernal Cut, school construction, special election fund, buildings and equipment for various departments and various street improvements. Some of these can no doubt be postponed temporarily but of the street and building projects nearly all are reported as being at some stage of construction, and the City Attorney has ruled that appropriations once having been made to the school department cannot legally be expended for any other purpose.

The items which the Board of Supervisors has indicated it will abandon are the Exposition site on the Marina, the municipal garage and the municipal warehouse, which total $447,700. The Board has already refused to vote appropriations for the garage and the Exposition site and has rescinded its former action by which the purchase of a site for the municipal warehouse was approved.

Departmental operating expenses included in the list which if eliminated would be saved, at least for this year, amount to $174,400 and include street lighting, publicity and advertising, hydrant service and personal and non-personal services in various departments. The present members of the Finance Committee have acted on this Committee only during the present month and in this short time have obviously not been able to make a thorough investigation of all possible savings in operating expenses. Some of the recommendations which the committee has made for savings may accrue as surpluses in any event, while others may not be possible of accomplishment on account of prior commitments.

It has been admitted that surplus revenue to the extent of approximately $450,000 will accrue during the present fiscal year from miscellaneous sources under-estimated at the time the tax rate was fixed, one-half of which has already been expended according to officials. The balance of this surplus together with the amounts involved in the projects which the Supervisors have indicated would be abandoned total $672,000 or nearly one-half of the reported deficit.

The Finance Committee has declared, in regard to the items "to be postponed," that it is the desire of the Committee to take care of them in the next budget and statements have been made to the effect that Hetch

Hetchy power revenue to the extent of $1,400,000 anticipated for use this year, while not available now, will become available to offset appropriations for these postponed items next year and thus obviate the necessity of including this amount in the tax levy.

The $1,400,000 for budget purposes was based on the assumption that one-half of the debt charges on the $39,000,000 Hetch Hetchy bonds of the 1910 issue outstanding would be met from power revenue and whether this amount or only a portion of it will be available depends upon what action the Board of Supervisors takes on an ordinance recommended by the Public Utilities Committee which provides for the setting up of a Hetch Hetchy power operative fund.

This ordinance would place the capital cost of power development at $9,000,000, and provides that the balance remaining in the power operative fund after setting up the necessary amounts for operation and maintenance, depreciation, bond interest and redemption charges on $9,000,000 and specific additions or betterments shall be applied exclusively toward the acquisition or construction of a transmission line from Newark to San Francisco.

If this proposed ordinance is adopted and the capital value of power development is fixed at $9,000,000, the amount of power revenue that will be available for budget purposes for the next fiscal year will be but $605,000, which is $795,000 less than the $1,400,000 anticipated for the present year.

The restoration of funds in the 1926-27 budget for any of the postponed projects in excess of $605,000 must be included in the tax levy if the ordinance and the $9,000,000 valuation is approved as proposed.

The Chairman of the Public Utilities Committee, in explanation of the valuation, declared it was only "temporary" for the purpose of establishing the fund to release moneys for the payment of operating expenses, and was "admitted not the final statement of capital charges."

According to a statement of the Chairman of the Finance Committee, when he requested that action on the proposed ordinance be delayed, a report on the proper segregation of Hetch Hetchy capital costs is expected shortly from an expert who has for some time been making a scientific study of the matter. The City Engineer's estimate that $21,000,000 should be charged to power development and the anticipated report from the expert should give the Supervisors the basis for an equitable division of capital costs for accounting purposes.

The effect of this valuation on the tax rate and on the future operation of the Hetch Hetchy project as a whole is of such importance that it should not be determined hurriedly but only after full consideration of all of the factors involved.

Completion of Dumbarton Crossing Increases Water Supply Facilities

The bay division of the Hetch Hetchy aqueduct will be completed during February, according to the City Engineer. This will increase the capacity of the present facilities to the extent of 24 million gallons daily. Under an existing agreement between the City and the Spring Valley Water Company, the company is permitted to use the city's conduits to bring water stored in the recently completed Calaveras reservoir, Alameda County, to Crystal Springs reservoir, San Mateo County.

The aqueduct now being brought to completion at a cost of approximately $5,700,000 is about 21 miles in length and consists of 19.4 miles of 5-foot steel pipe line extending from a junction with the Spring Valley Water Company pipe line near Irvington, Alameda County, to the east end of the Pulgas Tunnel, San Mateo County, and 1.5 miles of tunnel to Crystal Springs reservoir.

It was necessary to increase the supply from Alameda County to meet the increasing demands of San Francisco on the water system. Further development of the water supply resources of Calaveras Valley by the Spring Valley Water Company to the extent of adding 24 million gallons daily to the city's water supply, required an addition to existing pipe line facilities.

The Spring Valley Water Company proposed to construct a high level pipe line to San Francisco which, together with the Calaveras dam, was estimated to cost $12,000,000. Of this amount about $1,500,000 was expected to be expended on the Calaveras dam. If the pipe line had been constructed it would have been at too great an elevation to receive Hetch Hetchy water. Such a pipe line would be a duplication of facilities when it became necessary to construct the Hetch Hetchy aqueduct. Duplication of such facilities would be at the expense of San Francisco, if the city exercises an option, expiring December 31, 1933, to purchase the Spring Valley Water Company's properties. The possibility of purchase by the city of the water company's system caused the Railroad Commission and the City Administration to suggest a plan whereby a considerable sum might be saved to the tax and rate payers of the city.

The City Engineer, on January 12, 1921, proposed to the Board of Supervisors the proposition to build that portion of the Hetch Hetchy aqueduct from Niles screen tank via Irvington, Dumbarton Bay-Crossing, Redwood City and thence to Crystal Springs reservoir.

The Board of Supervisors, on March 20, 1921, sanctioned entering into an agreement with the Spring Valley Water Company which had the approval of the Railroad Commission. This agreement provided that the city construct the bay-crossing aqueduct and the Spring Valley Water Com-

pany complete the Calaveras Dam. The company was also required to make such additions to its structures and facilities as may be necessary to permit the delivery of an additional 24 million gallons daily at the terminus of the city's aqueduct near Irvington, Alameda County.

The agreement provides that the company shall pay the city 5% per annum on a cost to construct the conduit not to exceed $5,000,000 for the privilege of using it. The company is also required to operate and maintain the city's pipe line during the life of the contract.

Comparative Tax Rate of Various Cities for 1925

San Francisco maintained its position last year as the lowest taxed city in the United States of more than 500,000 population, according to a comparison of adjusted tax rates of 215 cities compiled by the Detroit Bureau of Governmental Research.

The San Francisco tax rate of $3.47 for the fiscal year 1924-25 was used in the compilation but as this conformed with the taxing period of the other municipalities included, the comparison is a proper one. The rate for 1925-26 is $4.13.

The legal bases of assessment vary in several states and the practically applied basis often varies from the legal basis. The actual tax rates are, therefore, adjusted to a uniform 100 per cent basis of assessment. For instance the tax rate for San Francisco was $34.70 on each $1000 of assessed valuation. The legal basis of assessment is 100 per cent but the assessed value is estimated as 50% of the true value. The adjusted tax rate for San Francisco is, therefore, $17.35. The average tax rate of 215 cities of more than 30,000 population is shown as $24.15.

The report says: "The figures for a single year do not permit of comparisons to determine the trend of the property tax in cities. Detailed analysis was made, however, for the years 1923 and 1925 of the rates in 53 cities over 100,000 population reporting each year.

"Of the 53 cities, six reported no change in rates. Of the remaining 47 cities, 27 reported an increase totaling $61.94 per $1000, and 20 reported a decrease totaling $52.67. For all the cities, the net increase in the tax rate in the two-year period was 16½ cents per $1000. This appears to be a very low rate of increase, considering the many elements which may affect a tax rate.

"A careful analysis of 200 cities for which complete data are available shows that the tax dollar is distributed very nearly 40 cents to the city, 30 cents to schools, 20 cents to the county and 10 cents to the state."

The tabulation is confined solely to tax rates on property, both real and personal. It serves as a gauge to the contribution to the local units of govern-

ment from this source, but no indication is given of possible other sources of revenue toward the total operating budgets of the subdivisions.

The comparative tax rate on each $1000 for 13 cities of more than 500,000 population is as follows:

	Assessed Valuation	Total Tax Rate	Legal Basis of Assessment (per cent)	Estimated Ratio of Assessed Value to Legal Basis (per cent)	Final Readjusted Tax Rate
1. New York, N. Y.	$12,140,856,093	26.76	100	92.5	$24.75
2. Chicago, Ill.	1,788,275,485	84.00	50	75	31.50
3. Philadelphia, Pa.	3,629,466,717	27.00	100	90	24.30
4. Detroit, Mich.	2,757,664,010	25.07	100	80	20.06
5. Los Angeles, Cal.	1,374,750,565	37.70	100	50	18.85
6. Cleveland, Ohio	2,149,390,230	21.90	100	85	18.62
7. St. Louis, Mo.	1,035,197,570	24.70	100	75	18.53
8. Baltimore, Md.	1,543,064,251	28.53	100	90	25.68
9. Boston, Mass.	1,808,705,398	24.70	100	100	24.70
10. Pittsburgh, Pa.	988,830,120	33.02	100	85	28.07
11. San Francisco, Cal.	684,099,920	34.70	100	50	17.35
12. Buffalo, N. Y.	802,203,610	35.65	100	66	23.77
13. Milwaukee, Wis.	755,229,851	31.60	100	76	24.00

San Francisco's Bonded Debt Limit

The bonded debt of San Francisco is limited by charter to 15% of the assessed valuation of real and personal property in the City and County. Bonds issued for the Panama-Pacific International Exposition and any indebtedness that may hereafter be incurred for the purchase of the Market Street Railway Company are excluded from this limit.

It is probable that school bonds outstanding and authorized but unsold amounting to $17,850,000, are also outside the 15% limitation. The state law provides that bonds to the extent of 10% of the assessed value of property may be issued for school construction and the Attorney General has ruled that expenditures authorized by state law for school purposes cannot be limited by charter.

The total debt limit is approximately $110,000,000 plus the exceptions. This is based on the assessed value of the non-operative roll, taxable for City and County purposes and amounting to $733,000,000 in round figures, to which no doubt the 15% limitation applies.

The total amount of bonds outstanding and authorized but unsold is $89,757,400, exclusive of the Exposition bonds which are outside the limit. The bonded debt leeway within the 15% limitation is $20,000,000 if the school bonds are included. If, on the other hand, school bonds are excluded, the leeway is $38,000,000.

It is probable that the margin of bonded debt leeway will be increased

by from $8,000,000 to $9,000,000 annually during the next decade, as the annual redemption of bonds already authorized, exclusive of Exposition bonds, will vary from $2,446,000 to $3,050,000 during the next ten years, and the average annual increase in the non-operative assessment roll over the last three years has been approximately $40,000,000.

When large blocks of bonds are offered for sale they are usually purchased with Eastern capital and their marketability is affected by the so-called New York 7% law. This law provides that the funds of savings banks, insurance companies, etc., may not be invested in bonds issued in excess of 7% of the value of assessed property, exclusive of water bonds. Under this law there is at the present time, a leeway of approximately $10,000,000 providing it is applied to the assessed valuation which is estimated to be on a 50% basis. It is understood, however, that the Attorney General of New York has ruled that the law applies to 100% of the property assessed and if this is the case this leeway is $61,000,000.

Important Municipal Events

SCHOOL AND WATER BONDS SOLD: School bonds, issue of March 1, 1923, to the amount of $6,000,000, were sold this month to a syndicate headed by the Anglo London Paris Co. for $6,329,340 and accrued interest thereon at the date of delivery. The same syndicate was awarded $1,000,000 Hetch Hetchy water bonds, issue of January 1, 1925, for $1,054,890 on the same terms. The aggregate premium on the two groups, $384,230, represents 5½% of the face value.

PENINSULA HIGHWAY DEVELOPMENT: The Board of Supervisors has appropriated $150,000 out of the County Road Fund toward widening of the "bottle neck" south of Colma on the peninsula highway. The city's appropriation is to be augmented by $110,000 from the Market Street Railway, $50,000 from San Mateo County and $250,000 from the State Highway Commission. The plan provides for an eighty-foot roadway past the cemeteries on what is perhaps the most extensively used outlet from the city.

TRAFFIC SURVEY REPORT: The Traffic Survey Committee, composed of representatives from the Automobile Association, the Traffic Commission, the Police Department and the Coroner's office, has presented a preliminary report of its findings to the Board of Supervisors. A number of emergency measures are recommended for adoption pending completion of a comprehensive survey said to be under way. The immediate installation of additional safety zones on Geary, Valencia, Mission and Fulton Streets, together with flood lighting of certain crossings, is recommended. The estimated cost of the work is $36,000.

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VOL. VI FEBRUARY, 1926 No. 2

Foreign Securities Act May Reduce Assessment Roll

Municipal Railway Employees Wage Increase Request Denied

Unsecured Personal Property Taxes

Civil Service Commission Making Salary Standardization Study

Important Municipal Events

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Foreign Securities Act May Reduce Assessment Roll

Constitutional Amendment No. 30, adopted at the November, 1924, election, may result in a material decrease in this year's assessment roll. Primarily, this amendment was adopted to enable the legislature to provide a method of taxing stocks and bonds issued outside of California which it was believed would not only be more just to the owner than the old method, but would also produce more revenue by encouraging a more general declaration of this class of property.

Under the old law the tax on these securities, generally assessed at fifty per cent of their value, always consumed a large part, often equaled and in some instances perhaps exceeded the whole amount of interest or dividend earned. Thus the listing of such property was naturally discouraged. Under the new law passed by the legislature as a result of the enabling amendment, such securities are assessed at only seven per cent of their value, and a declaration of and tax revenue from increasingly larger amounts of such holdings is expected. It was not anticipated that there would be an appreciable increase the first year, because of a probable reluctance on the part of owners to immediately declare property which might have been in their possession and properly subject to taxation in previous years. It was in order to overcome such reluctance, at least in part, that the usual penalties were eliminated in the case of such property listed in 1926 which may have been in the owner's possession, but not listed, the previous year. But the law does provide that failure or refusal to file a statement of such holdings this year automatically results in its assessment at its full value instead of seven per cent of its value.

Although known and generally referred to as the foreign securities amendment during the campaign for its adoption, the measure as finally passed by the legislature includes, in addition to such securities, all money, solvent credits, and mortgages not secured by real estate within this state. Foreign securities alone were assessed at only $9,000,000 last year, but money and solvent credits, secured and unsecured, were assessed at over $21,000,000.

This total of $30,000,000 being assessed on a fifty per cent basis, represented an actual value of $60,000,000 in money, solvent credits and foreign securities. The assessed value of this same amount of property this year on the 7 per cent basis will be only $4,200,000 instead of $30,000,000, the assessed value last year on a 50 per cent basis. In other words, last year's declarations of this class of property assessed according to this year's laws would result in a reduction of $26,000,000 in the assessment roll, about three and one-half per cent of the total.

It is obvious that if the city is to receive the same amount of revenue from this source as it received last year, declarations on this class of property must increase seven fold. Similar laws are in effect in other localities and it is claimed they have gradually increased these declarations to such an extent that revenues now greatly exceed those under the old system of assessing and taxing all classes of property at the same rates.

Municipal Railway Employees' Wage Increase Request Denied

The Municipal Railway employees' request for a wage increase was denied by the Joint Finance and Public Utilities Committee of the Board of Supervisors at a meeting held Wednesday, February 17th. A report of the joint committee made public at this meeting gave the results of the work of the committee upon which the adverse decision was based. At the request of the Labor Council the matter was re-referred to the committee by the Board on February 23rd for rehearing.

The Municipal Railway employees' wage increase request has been in the hands of the Board of Works and the Supervisors for many months, being introduced during December, 1924. The original demand requested an increase from 67½c per hour to 80c per hour for platform men, amounting to $1 per day per man. This would add about $300,000 yearly to operating expenses. Later the demand was reduced to 60c per day, the request including all classes of railway employees, which would have the effect of increasing operating costs approximately $225,000 yearly.

The Board of Supervisors, as stated in the report of the Joint Finance and Utilities Committee, undertook the responsibility of attempting to devise a method by which the employees might be granted some increase in

wages at the request of the Board of Public Works in a communication of November 25, 1925.

The joint committee, after a careful examination and analysis of the finances of the railway, were unable to recommend an increase, the reasons for this decision being given in the report.

This report of the committee stated that the road has made a successful record on a 5 cent fare in that $3,257,370 in addition and betterments has been made from earnings and the bonded indebtedness reduced to $3,691,000 from the original amount of $5,520,000 by the same method.

The report further states that this policy of diverting large sums from the income of the road for new capital investments and retirement of bonds has had the inevitable effect of reducing current funds to a low level. Also, during recent years, increases in operating expenses, construction and equipment costs and operating losses incurred by bus lines and the Ocean View extension have materially decreased net revenues.

Adoption of a new method of financing extensions to the Municipal Railway system is suggested in the report, and until the reserve funds have been restored to normal, it is stated that it will be impossible for the road to assume any important increase in operating expenses.

Maintenance of a 5-cent fare was stressed because of an annual saving to the patrons of the Municipal Railway alone of approximately $1,680,000 and additional millions to patrons of the privately owned car lines.

The committee, in its consideration of the railway employees' wage increase request, examined three estimates of the future financial conditions of the Municipal Railway compiled by experts representing the employees, the committee, and the Board of Public Works. The report states that the most optimistic of these estimates, made by the expert in the employ of the railway employees, suggested that the railway could, by certain partial restoration of funds, pay the carmen an increase of 60 cents per day for a period of something more than two years. After the expiration of that period, the report states that the estimate of the railway employees' expert tacitly admits that the railway would be confronted by a deficit, and makes no suggestion as to how that deficit could be overcome in the future.

The report concludes with the statement that "Realizing the inadequacy of the present wage scale, the members of the joint committee had earnestly hoped to be able to recommend an immediate increase for the railway employees. But it is manifestly impossible for the committee to support any proposal that will lead inevitably and almost immediately to a deficit."

Unsecured Personal Property Taxes

A constitutional amendment adopted in November, 1924, provides for the taxation of unsecured personal property at the previous year's rate instead of at the current rate as in the past.

Inasmuch as the tax on unsecured personal property is due and payable

immediately after the first Monday in March of each year, and the tax rate is not fixed until September, it was necessary, under the old law, for the Assessor to first apply the old rate and make a subsequent collection or refund, depending upon whether the new rate when fixed, was higher or lower than the rate for the previous year.

Usually the difference in the tax rate from year to year is small, and the additional revenue produced by an increased rate was generally offset to a great extent by the expense of making the second collection. If the rate was decreased the City was put to the additional expense of refunding the difference. This method was also a source of considerable trouble and annoyance to the taxpayers.

On account of the circumstances surrounding San Francisco's tax rate last year this change in the law had considerable effect upon the amount of revenue received from this class of property. The San Francisco rate had been stationary at $3.47 on each $100 of assessed valuation for four years, but increased expenses voted by the people, and an accumulation of appropriations which had been postponed from year to year increased the 1925-26 rate to $4.13, or 66 cents above the rate for the previous year.

The assessed value of unsecured personal property on the assessment roll last year was approximately $87,000,000, and the City therefore received over $500,000 less in revenue from this source computed on the $3.47 rate than it would have received under the old method where the $4.13 rate would have applied.

Under the provisions of this new law, a constantly increasing or a constantly decreasing tax rate will affect the revenue from unsecured personal property one year later than it will that from secured personal property and real estate and improvements, and the result over a period of years would be practically the same as under the old law. If, however, the rate fluctuates up and down from year to year, the City's revenue from this source will be affected in proportion to the extent that taxpayers avail themselves of the privilege of declaring personal property in either the secured or unsecured class, and the accuracy of their predictions regarding fluctuations in the rate.

Declarations of personal property, both secured and unsecured, last year in comparison with 1924, would indicate that in the face of an almost certain substantial increase in the tax rate, few took advantage of this fact to reduce their tax by changing the declaration from secured to unsecured.

Personal property taxpayers who do not own real property have no alternative and are subject to the last year's rate in each instance. Those, however, who own both real and personal property, may choose as to whether their personal property shall be secured by real property or whether it shall be declared as unsecured.

Personal property secured by real estate was assessed at $42,000,000 for

1925, and if all of this had been declared as unsecured instead of secured, the City's revenue from this source would have been $280,000 less than it was.

Unless there are further abnormal fluctuations in the tax rate and the taxpayers, who can, avail themselves of the speculative advantage of changing the status of personal property from secured to unsecured and vice versa to fit the occasion to a much greater extent than they did last year, the revenue from this source will probably be equal to what it would have been under the old system over a period of years. In any event the City will be saved the expense incidental to making adjustments each year the tax rate is changed, and the taxpayers the annoyance and general misunderstanding occasioned by the old procedure.

Civil Service Commission Making Salary Standardization Study

An employment classification is being developed by the Civil Service Commission for the purpose of standardizing salaries for municipal employees according to the duties, responsibilities and authority involved in their respective positions. This is being done at the request of the Board of Supervisors and in accordance with a charter amendment adopted in 1924, the purpose of which was to ultimately assure equal pay for equal work in the city service.

The work was started in October of last year when questionnaires were sent to all employees for the purpose of securing the necessary information relative to each position. Zone charts indicating various predetermined grades of employment were then used to classify positions according to the duties statement submitted by the employees on the questionnaires. This tentative grading was then submitted to the several department heads for criticism or suggestion, after which the employees were admitted in small groups at thirty-minute intervals to view the chart and note the classification in which they had been placed in relation to all other employees. They were then asked to file a written complaint if they were dissatisfied with the grade assigned to their respective positions.

It is understood that the Civil Service Commission expects to present the final classification to the Board of Supervisors for its approval in time for subsequent preparation and approval of a salary schedule for this coming year's budget.

As the classification has not yet been announced as a finished product, either commendation or criticism at this time would be premature, but the experience of other cities where similar studies have been made would indicate that the time devoted to the San Francisco study by the Standardization Board of the Civil Service Commission with the small staff at its disposal has been inadequate. A comprehensive study of this kind must of

necessity include a very considerable amount of field work on the part of the classifying staff to properly and adequately supplement the information secured from questionnaires, and it is to be hoped that neither thoroughness nor accuracy will be sacrificed in order to complete the work at a specified time.

Important Municipal Events

HETCH HETCHY STANDBY SERVICE REQUESTED: The Modesto Irrigation District has applied for a 20-year agreement with the City for standby service from the Hetch Hetchy power plant. The agreement proposes that the district will build a step-down station of 9000 KVA capacity and that it will pay 4 mills a KWH for energy required and a monthly demand charge of 60 cents a KW of demand in excess of 3000 KW. The application is being considered by the Utilities Committee of the Board of Supervisors.

NEW TRAFFIC COMMISSION PROPOSED: The Traffic Committee of the Board of Supervisors has under consideration a resolution which proposes to abolish the present Traffic Commission of 18 members and substitute a new commission of nine members. The new commission would be empowered to investigate traffic conditions and make recommendations to the Board of Supervisors.

POWER TRANSMISSION LINE PLANS ORDERED: A resolution has been adopted by the Board of Supervisors declaring a policy to construct an electrical transmission line from the present terminus of the City's line at Newark to San Francisco without delay, and an appropriation of $20,000 from the new Hetch Hetchy Power Operative Fund has been passed to print for the preparation of plans by the City Engineer for such a line to parallel closely the existing line of the P. G. & E., and for a step-down station at its terminus.

GARBAGE DISPOSAL PLAN OFFERED: A new plan to dispose of San Francisco's garbage has been made to the Health Committee of the Board of Supervisors. A contractor proposes that in return for a 25-year exclusive franchise, he will dump the garbage on tidelands in the Islais Creek district, treat such garbage with salt water and deodorant and cover with at least 12 inches of soil in such a manner that a satisfactory fill and the elimination of all objectionable stench and fumes will be guaranteed. The contractor to receive 60 cents a ton at the fill and to be given the right to use the City's incinerator for all garbage which may be diverted there for 30 days.

HETCH HETCHY WATER TUNNEL WORK TO START: Construction of the Hetch Hetchy water aqueduct from Moccasin Creek to Oakdale portal, known as the foothills division, is to commence at once as a

result of an appropriation by the Board of Supervisors of $6,525,000 from the 1924 water bond fund. Further appropriations requested by the City Engineer for preliminary work in the Coast Range division of the aqueduct were withheld pending reports on surveys and tests now under way.

TAXICAB ORDINANCE ADOPTED: The new taxicab ordinance has been adopted by the Board of Supervisors. The new ordinance provides more specifically for police regulation; that the Board of Supervisors shall approve of all permits for stands granted by the Mayor, and that no stand shall be deemed an exclusive use of a public street.

BUDGET CUT TO MEET DEFICIT: In an effort to meet the so-called deficit of $1,400,000 in the 1925-26 budget revenues, caused by the anticipated use of Hetch Hetchy power revenue which will not be legally available until 1926-27, the Board of Supervisors adopted a report of the Finance Committee to eliminate appropriations totaling $1,160,200, of which $447,700 represents projects abandoned by the Board, $47,500 departmental economies, and $665,000 items postponed.

CITY BACKS SAN FRANCISCO - BERKELEY FERRY: The Board of Supervisors adopted a resolution requesting the State Railroad Commission to reconsider its action in denying a permit for a San Francisco-Berkeley auto ferry (for which the Board had previously granted a franchise) and instructed the City Attorney to appear for the City in behalf of a request by the applicant for a rehearing.

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Pseudo Standardization of Salaries

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The City

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"An incorporated non-partisan citizens' agency to study public business, co-operate with officials and specifically work for economy and efficiency in municipal affairs."

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Pseudo Standardization of Salaries

The purpose of the salary standardization amendment adopted at the 1924 election, which was to ultimately assure equal pay for equal work in the city service, will not, in the opinion of the Bureau, be carried out if the proposed classification of positions now being considered by the Civil Service Commission is adopted.

In order that the much desired principle of equal pay for equal work may be uniformly applied it is absolutley essential that employees be classified according to the work they do and nothing else. Analysis of the proposed classification indicates that it is based partly on duties, partly on existing salaries, and partly on prevailing rates paid to certain skilled labor groups, and does not therefore provide a dependable basis for a fair and just standardization of salaries.

This employment classification has been developed by the Salary Standardization Board of the Civil Service Commission, and has been submitted to the employees in semi-final form for criticism and suggestion. Considerable dissatisfaction has already been expressed, both by employees and department heads, and efforts will no doubt be made to adjust matters so that obvious inequities will be eliminated. However, the form of the classification and the manner in which zone specifications have been set up is such that the quieting of complaints from one will automatically result in dissatisfaction from others that formerly may have been content.

Before entering into a discussion of the merits or demerits of the classification in its present form it will be well to first establish:

1. What a classification is in the generally accepted sense of the term, and its relation to salary standardization.
2. What it will do.
3. What information is necessary before one can be set up.
4. How this information must be obtained.

An occupational classification implies a grouping together of similar occupations and the subdivision of these general groups into narrower and more specific divisions or classes under a common designation, whereby allocations based on predetermined facts relating to the work involved in each position may be intelligently made. In plain language it may be defined as a grading of positions according to similarity of duties.

Obviously the two most important units to be considered in such a classification are the individual position or job, and any group of positions or jobs, commonly known as a class, which may be considered and treated as a unit. In order that a class may be treated as a unit, all positions assigned to a given class should be so nearly alike that:

1. The duties, responsibilities, and authority involved in each require the same qualifications on the part of the incumbents.
2. The same tests may be used in selecting employees to properly fill them.
3. The same range of compensation can properly be applied to all of them.
4. The same descriptive title may be used to designate each of them.

If positions are to be grouped together according to similarity of duties, class limitations should be so defined as to justify identical treatment of all positions within a class from the standpoints both of selection and of compensation. In other words, those qualified to enter upon the duties of one position in a class should likewise be qualified to enter upon the duties of any other position in the same class, and a scale of pay which would be right and proper for one position should be equally right and proper for all other positions in the same class. These are two fundamental principles of the modern employment classification, which must always be jointly and never separately considered. Similarity of duties always calls for similarity in compensation, but there may be similarity in compensation for dissimilar duties. As an illustration, a proper schedule of compensation for a hod carrier may be equally proper for a chauffeur and also for a typist, but it is obvious that they would not fall in the same class, and that common treatment would not be justified.

Although the primary purpose of a classification may be the development of an equitable compensation plan, it does not follow that positions should be classified according to salaries. It must be essentially a duties classification without reference either to titles or salaries. It is only as a duties classification that it becomes of any value in personnel administration. In that form it can be used not only as a basis for salary adjustments, but also as a basis for examination and certification of eligible applicants, for the development and administration of a service rating plan, for establishing definite lines of promotion, for handling inter-departmental transfers, and as a means for providing a uniform employment terminology throughout the service.

An occupational classification must of necessity be based upon all pertinent facts relating to the nature of the employment involved in each of the positions to be classified. Consideration must also be given to all circumstances or conditions that in any way affect the position, the responsibilities involved or the authority exercised. No position can properly be allocated to any class without this information. Furthermore, a complete picture of a position is impossible without a descriptive background of the organization unit or department of which it is a part. This is true particularly in positions where administrative responsibilities are combined with clerical, technical, or professional duties. Nor is an adequate conception of responsibilities possible without complete knowledge of the relation of the position to be classified with all other positions in the organization unit.

This information, to be of value, must not only be comprehensive but absolutely accurate and complete in every detail. It must be secured primarily from the employee himself, verified by his immediate superior, amplified by the various subordinate heads, and finally checked by the department head. The most satisfactory and direct method of securing it is by means of questionnaires submitted to all employees, to be later checked and amplified by their immediate superiors and department heads. The information secured from the questionnaires is not, however, sufficient for classification purposes. A very considerable amount of field work is necessary on the part of the classifying staff to properly and adequately supplement this data, for if this is accepted just as it comes in, the resulting classification will favor those with the ability to express themselves on paper to the detriment of those less gifted in that respect. Furthermore, the very natural tendency on the part of incumbents to exaggerate the scope and magnitude of their duties must be given careful consideration. An intelligent analysis of this information is possible only if the investigator has a thorough understanding, through personal contact and observation, of the work or position under consideration.

Examination of the semi-final classification as submitted by the Salary Standardization Board, together with the zone definitions according to

which all positions have been graded, reveals a grouping of positions based on rather broad generalities capable of divergent interpretation. Absence of a definite dividing line between zones makes it possible to place many positions in any one of several zones with equally good reasons in each case. In the explanatory statement accompanying the classification it is stated that "there can be nothing scientific or mathematically exact about it." It is further stated that it is "merely an honest attempt to reach a common agreement as to what is fair and just to all parties concerned." If these statements are true, then the intent and purpose of the charter amendment which was intended to pave the way for salary standardization will not be fulfilled. Honest attempts to reach a common agreement on municipal salaries based upon inexact and unscientific premises have repeatedly been made in the past, and the hopeless inadequacy of these attempts finally resulted in the concerted movement for genuine salary standardization.

Salary standardization procedure as applied to the civil service had its inception in the city of Chicago, where in 1911, the Civil Service Commission reported as follows:

> "In order that the work of regrading might be thorough, equitable, and *scientifically exact,* careful study was made of the duties of each position in the service. . . . Positions are now graded on a duties basis and schedules of grades, salaries, and titles are uniform."

Since then standardization programs have been undertaken and put into effect in a great many municipal and county governments, several states, the Federal government, and the Dominion of Canada. Practice in instituting the procedure has varied, but it is significant that in every instance the objective has been the same; i. e., the substitution of scientifically determined facts as a basis for salary adjustments in place of haphazard, rule of thumb methods, which, however honest, are very apt to be inequitable and unjust because of the inadequacy of basic information. In other words, an accurate classification of positions according to duties has been invariably recognized as a prerequisite to a comprehensive, equitable, and workable compensation schedule.

The zone charts developed by the Salary Standardization Board provide twelve zones or levels of value, those positions which in the opinion of the Board should pay the most being allocated to zone 12, while the lowest paid are placed in zone 1. The zone definitions are in most cases expressed in generalities which permit an allocation of positions based on opinion rather than on actual facts incontrovertibly sustained. As a result of these loosely defined divisions, a chief fire alarm operator in the Department of Electricity is classed with a chief cook in the Relief Home; an inspector of horses and equipment in the Police Department with the paymaster of the

Board of Education; and a draftsman in the Bureau of Architecture with dentists in the Health Department.

The following is an example of the zone definitions used in the proposed classification:

7 A e 1—*Deputies, Assistants, or Clerks.* Positions involving more responsibility than deputies, assistants or clerks in Zone 6.

6 A e—*Deputies, Assistants, or Clerks.* Positions not primarily executive in character but involving ability to handle independently an important phase of the work of the department, such ability usually being acquired only after long experience in the department itself or in allied activities elsewhere. Such positions often involve general oversight, but not full responsibility, for the work of one or more assistants or clerks.

In contrast with the above the following duties of a Senior Clerk as prescribed in another classification for a public service by Fred Telford of the Bureau of Public Personnel Administration, Washington, D. C., is of interest:

Duties: Under supervision to perform responsible clerical work, usually of a varied and miscellaneous nature, as required.

Examples of typical tasks: Preparing and checking invoices, bills, and vouchers; making up payrolls; preparing reports; relieving administrative officers of clerical detail; handling routine correspondence; giving information to the public; making up daily time and cost sheets; gathering, analyzing, and preparing data for reports; keeping card indexes, mailing lists, files, and other records; receiving, opening, distributing, and posting mail; coding, routing, registering, and filing correspondence and other papers; keeping records of contracts, work reports, orders, or personnel and making up statements or reports from such records; issuing licenses or permits involving extensive knowledge of department regulations; requisitioning, storing, and distributing office supplies and equipment; handling complaints and taking steps to see that they are adjusted; in some cases directing in whole or in part the work of one or more clerical employees of a lower grade.

Minimum qualifications: Either the equivalent of an elementary school education and three years of successful experience in clerical work, or education equivalent to that represented by graduation from high school and one year of successful experience in clerical work; knowledge of modern office practice and appliances; ability to understand and carry out directions; and courtesy.

Desirable additional qualifications: Ability to operate common office appliances; ability to size up people and situations; good judgment; and resourcefulness.

It will be noted that while the zone definitions in the proposed classification permit clerks, stenographers, jury examiners, appraisers, bookkeepers, etc., to be classed together, the more clearly defined duties specified in Mr. Telford's specifications for Senior Clerk would include only those employees performing specific duties.

That the semi-final classification presented by the Salary Standardization Board is, at least in part, based on salaries is virtually admitted in the preliminary statement of the Board accompanying the classification. It is stated that "in occupations covered by a going rate on the outside, positions have been classified according to these going rates so that they will not be disturbed. Furthermore, definitions for these classes have been so worded that

their classification will automatically go up or down as going rates go up or down."

In the opinion of the Bureau, based upon prevailing practices and results achieved in other localities, a classification based upon such a premise is fundamentally unsound. Nothing short of a change in duties, responsibility or authority warrants a change in classification regardless of any fluctuation in compensation. If the classification of any position is to be changed every time the compensation for that position is either increased or decreased, the essential purpose of a duties classification will be defeated. That essential purpose is to draw attention to relative inequities in compensation, but if the classification of a position is to be changed to suit the compensation, whether it be a going rate or otherwise, discrepancies will not be evident. Under such procedure salaries could still be increased or decreased individually or collectively without consideration of duties, and consequent inequities could be conveniently covered up by the simple process of changing the classification. In short, the procedure would be no better and no worse than the present.

If on the other hand, the classification of an employee depends solely on what he or she does, and can under no circumstances be changed unless duties change, inequities in compensation, while still possible, would be so perfectly obvious to all concerned that public opinion would naturally keep them down to a minimum.

As a result of this announced policy of classification according to going rates, bricklayers in the Bureau of Sewer Repairs are assigned to zone 8, whereas four assistant superintendents in the same department are placed in zone 7, in the class below the bricklayers.

The only apparent reason for such an arrangement is the fact that the per diem rate now paid bricklayers in the city service multiplied by the number of working days in a month happens to exceed the monthly salary now paid for the services of Assistant Superintendents in that department. Although the bricklayer receives instructions and takes orders from an Assistant Superintendent, the proper relation between executive and subordinate is not indicated in the classification because compensation rather than duties has been used as a classifying basis.

Just what the Standardization Board considers a going rate is not made clear, but it is usually understood to mean the prevailing wage paid a given trade or vocation. In the case of the bricklayers mentioned above the going rate used in classifying them corresponds with the prevailing rate paid by the City. With this in mind it is difficult to understand the classification of Municipal Railway motormen and conductors in zone 4 under a going rate of $6.20 to $7 per day. This is not only in excess of their present rate, but it exceeds the rate which the men themselves are asking for at the present time and exceeds the average hourly maximum in 19 cities by 15 cents.

Aside from any discussion of what a just and proper rate might be, it would be enlightening to know just what a going rate is in the opinion of the Standardization Board.

Consideration of going rates for the purpose of classifying certain groups of employees makes it necessary to also consider compensation in classifying other positions, for it is obviously impossible to compare a position whose limits are defined in dollars and cents with other positions whose limits are defined in terms of certain specific duties. In order to provide a common denominator for this purpose, the Standardization Board uses a "hypothetical salary schedule" for all positions as a "working basis," thus tacitly admitting the entire classification to be based on salaries rather than duties, whereas compensation should only be permitted to enter the problem after duties have been definitely determined and clearly defined.

In order to insure a classification based on duties alone, the charter amendment provides for final adoption of the classification by the Supervisors before a salary schedule may be submitted. Any reference to or consideration of compensation in the proposed classification is therefore premature. The amendment clearly defers all consideration of salaries until the classification has been set up on a duties basis and adopted as a separate entity. Consideration of compensation is a subsequent and distinctly separate step in the program.

The possibility that the time and facilities at the disposal of the Standardization Board may have been inadequate for a comprehensive study of the problem, does not justify the presentation of a classification based upon unscientific principles contrary to the purpose of a charter provision approved by the people.

In the City of July, 1925, the Bureau called attention to the inadequacy of the $5,000 appropriation to complete the work, in view of the fact that similar projects undertaken elsewhere have involved an average cost of almost $3.00 per employee classified. No further appropriation has since been requested, and the work has been carried on in a manner and at a rate of speed inconsistent with its magnitude and importance in order to complete it within the initial appropriation and in time for this year's budget. As a result a classification is presented that is admittedly unscientific and inexact, is partly one of duties and partly one of salaries, and does not fulfill the requirements of a genuine salary standardization program.

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Municipal Railway Platform Men Granted Wage Increase

City Considering Change In Refuse Disposal Methods

Proposed Traffic Survey

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Municipal Railway Platform Men Granted Wage Increase

The Board of Public Works, in which body rests the power to fix the compensation of the Municipal Railway employees, has, at the request of the Mayor, granted a wage increase of 40 cents per day to the Municipal Railway platform men numbering about 860. This action, effective April 16th, increases the hourly rate from 67½ cents to 72½ cents and will add approximately $110,000 to the annual operating costs of the road. Employees of the system, other than the platform men, were denied an increase.

The original request from the men, filed during December, 1924, was for one-dollar per day increase for the platform men only; this was later reduced to 60 cents per day and included all classes of railway employees.

The Board of Supervisors had previously undertaken the task of attempting to find sufficient funds to meet the increase, at the request of the Board of Works. The joint Utilities and Finance Committee of the Board, to which the matter was referred, after numerous hearings and months of study, recommended against the increase. The principal reason given by the Committee for refusing the increase at that time was that the most optimistic of the three estimates of the future financial conditions of the Municipal Railway compiled by experts representing the employees, the Board of Works and the Committee, showed that the road could, by the partial restoration of certain funds, pay the men an increase of 60 cents per day for a period of something more than two years, after the expiration of which time the railway would be confronted with a deficit and that

it was manifestly impossible for the Committee to support any proposal that would lead inevitably and almost immediately to a deficit.

Representatives of the carmen appeared before the Board of Supervisors when the Committee report was submitted and requested an opportunity to present additional data and the Board thereupon re-referred the matter to the Committee for further consideration.

At the rehearing, estimates of the probable funds available during the next four years for wage increases were presented by four accountants representing the various interests. None of these estimates were in accord and at the request of the Committee, the accountants arrived at a compromise estimate for the purpose of argument. Two of the accountants, while joining in the use of this statement, expressed the opinion that the estimates of probable operating revenue were excessive.

The compromise estimate showed that by the restoration, through a budget appropriation, of $131,000 previously taken from the Railway funds and applied to the cost of construction of the Twin Peaks and Stockton Street tunnels; the transfer of $121,000 from the compensation insurance fund to the operating fund, together with $79,000, the balance in the operating fund on Jan. 1, 1926, and $294,000, estimated net operating profit during the next four years, $625,000 should be accumulated in the operating fund by Jan. 1, 1930, and it was suggested by the accountants that this $625,000 could be distributed in the amount of about $156,000 per year, over the four-year period among the employees of the railway for additional compensation. It was stated that if this entire amount was utilized it would represent an increase of about 40 cents per day over the present wage scale.

The accountants also suggested that a $2,000,000 bond issue be proposed, $1,000,000 to be applied toward the construction of the Sunset Line, cars and car-barns and $1,000,000 to be held as a depreciation fund asset to be sold as needed for depreciation purposes. This, the report stated, "would have the effect of restoring the depreciation fund to something like its normal balance."

Another suggestion of the accountants was that the setup of Municipal Railway funds be revised. The old method has been to set aside 18 per cent of the gross passenger revenue in a so-called depreciation reserve. This fund was established to cover depreciation, accident and damage claims, and bond redemption. Large sums, however, have been expended from this fund for additions and betterments, and it has also been used to cover operating deficits, and the actual depreciation reserve has thereby been reduced to a sum much below that which should now be in the fund. The new setup provides for the setting aside of 3 per cent of the value of the road and equipment annually for depreciation, 2½ per cent of the gross passenger revenue for accident and damage claims, and sufficient to cover

bond interest and redemption charges. Each of these funds is to be used only for the purposes specified, and $100,000 from the old depreciation fund is to be transferred to the new depreciation fund, and $100,000 to the accident and damage claims fund. This new setup was finally adopted by the Board of Supervisors on April 19th, and while in principle it is a step in the right direction the percentages allowed for reserves for depreciation and for accidents and damages are somewhat low in view of the experience of other electric street railways.

The joint Utilities and Finance Committee on April 5th submitted the report of the accountants to the Board of Supervisors, together with a resolution to the effect that if the Board of Public Works saw fit to grant the increase of 40 cents per day, the Board of Supervisors would carry out that portion of the proposed arrangement which its powers permit and would pass the required legislation for a bond election for $2,000,000 for the Municipal Railway. This resolution was adopted by the Board of Supervisors and transmitted to the Board of Public Works.

Subsequently a meeting was held in the Mayor's office, the outcome of which was a request from the Mayor to the Board of Public Works that it grant an increase of 40 cents per day to the platform men only, and the Board of Public Works granted the increase as requested.

Other employees of the road who did not receive an increase have appealed to the joint Finance and Utilities Committee to take such action as will assure them the same treatment as has been received by the platform men, and the matter has been taken under advisement by the Committee.

The most optimistic estimate emanating from the accountants who have studied the matter, placed the amount of the net operating profit for the next four years at $294,000. The 40-cent increase since allowed to the platform men alone will add approximately $440,000 to the operating cost during the four year period. It is therefore obvious that only a portion of this additional cost can be met from current revenues and that the balance must come from reserve funds and from the earnings of previous years. This policy, if continued, will eventually lead to a deficit which must be met by general tax levies, bond issues or an increased fare.

The Bureau of Governmental Research believes that the Municipal Railway should continue to be self supporting, and that therefore when the legitimate cost of operation including proper depreciation and other necessary reserve funds exceeds the current operating revenue, the fares should be increased accordingly. Those who use the road should properly pay the cost of operation and no portion of this cost should be shifted to the taxpayers.

Operating costs of the Municipal Railway have increased, as have those of practically every other business but the fare has remained at five cents,

while the price of other commodities has kept pace with the cost of production.

With one or two exceptions, every large city in the United States has found it necessary to increase carfares in order to meet increased operating expenses, and the average fare throughout the country is over seven cents. To continue the five cent fare on the Municipal Railway under present conditions will only lead to financial difficulties.

City Considering Change In Refuse Disposal Methods

The proposal of a local engineer to dispose of all of the city's refuse by a sanitary fill on State tidelands at Third and Arthur streets, is now under consideration by the Health Committee of the Board of Supervisors.

Numerous complaints have been voiced against the nuisance and menace of odors, smoke and burning papers from the antiquated city-owned incinerator at Rhode Island, DeHaro, Alameda and Fifteenth streets which, it is generally conceded, is inadequate for the present volume of refuse and should be abandoned.

Members of the Health Committee, in an effort to get practical information that suitable action may be taken, have made trips to Portland, Seattle and Los Angeles to inspect methods employed by those cities. The committee has also had the Berkeley city engineer explain the sanitary fill method used by the transbay city, and a report on sanitary fills has been made for the committee by Professor Charles Gilman Hyde, sanitary expert of the University of California.

At present scavengers deliver about 600 tons of refuse daily to the incinerator, which is all of the city's refuse except swill from downtown restaurants sold directly to hog ranches, and several tons of paper and junk, which is salvaged and sold to dealers. The scavengers operate the incinerator through a co-operative organization, without payment for its use to the city. The organization collects from the scavengers $1.00 a ton for refuse delivered at the plant. The capacity of the plant is not sufficient to properly destroy the refuse delivered daily, and the residue (about one-fourth) is loaded into gondola cars and hauled by the Southern Pacific Company to a fill on railroad tidelands near the city limits.

The sanitary fill proposal before the Health Committee provides that the contractor will erect scales and a dumping platform at the fill to receive refuse, that machines will be installed to wash out the scavenger wagons and saturate the refuse with salt water under pressure, the salt water acting as a deodorant and a "leveler" of the fill; that the refuse be covered with at least twelve inches of dirt and rock, and that in return the contractor shall receive 60 cents a ton for all refuse delivered and be given an exclusive contract for twenty-five years.

Reports indicate that the sanitary fill as in operation in Portland, Seattle

and Berkeley has been successful. Seattle and Portland fill large gulches, often within a few hundred feet of homes, and have reclaimed valuable land. Portland now has public playgrounds on the sites of former dumps. Berkeley has filled in tidelands valuable for industrial sites. In each of these cities no segregation is demanded of the householder, and collection and disposal is a municipal function.

Other methods of disposal include incineration, dumping at sea, reduction and hog feeding or a combination of two or more of these. San Francisco built a new incinerator in 1914 but tests indicated that it would not satisfactorily destroy all refuse because of the high content of wet garbage, and it has never been used. Dumping at sea by Oakland in the past resulted in refuse being carried back to shore. Lately this has apparently been overcome by the dumping at a greater distance at sea, but only such garbage as will sink readily. Reduction or hog feeding take care of garbage only, leaving disposal of rubbish and other refuse to be provided for by some other method and require segregation by the householder as does a composite method. Incineration, reduction, dumping at sea, or a composite method usually demand a large capital outlay, and will require considerable time for engineering study and tests of suitable types.

Apparent advantages of the sanitaray fill method of disposal are that the plan can be placed in operation without delay, can be easily tested, requires the least capital outlay, and will reclaim valuable tideland.

The obstacles generally in the way of such a method are the availability of sites, possible nuisance and length of haul.

There are apparently sufficient tidelands in the southeast part of San Francisco to provide sites for years to come and the nuisance objection seems to have been eliminated in Portland, Seattle, and Berkeley by the adoption of modern sanitary methods. The up-to-date sanitary fill is not to be confused with the old-style city "dump," with its unsightliness, fires, odors and pests. Immediate covering of the fill and proper supervision have improved conditions materially.

On the assumption that refuse accumulates in proportion to density of population, there would be a greater ton-mile haul to the proposed fill at Third and Arthur streets than to the present incinerator, which is situated nearer the center of the city. However, the additional cost of the longer haul would be at least partially offset by the 40-cents a ton difference between the one dollar charge at the incinerator and the proposed charge of 60-cents at the fill and could probably be further minimized by the use of trucks and trailers; the loading of gondola cars at convenient locations on railroad rights-of-way, or by other up-to-date hauling methods.

Some objection has been made to the Third and Arthur site on the ground that the city will need that area for industrial and port purposes in advance of the time the land will be reclaimed by the fill. There are

other possible sites and this would appear to be a matter for adjustment without seriously handicapping the fill proposal, although a longer haul to a more distant site might make some immediate readjustment of hauling methods necessary.

At the present time the Health Committee is dealing with refuse disposal and not with its collection. However, the collection question may have to be dealt with sooner or later, and municipal collection and disposal may prove to be the proper solution of the whole problem. In view of this possibility, any contract entered into with private persons for refuse disposal should provide that in the event of municipal collection and disposal, the City may acquire the rights and physical property involved upon terms and conditions agreed to in the contract.

Proposed Traffic Survey

Active discussion of ways and means for the solution of the street traffic problem in San Francisco has been going on for many months among various civic and commercial interests, and recent developments indicate that co-ordinated action is about to result. Present plans contemplate the organization of a self-constituted citizens' commission representing all of the interests affected in any way by existing conditions on the streets. This organization is to be self-financed and is to provide for a scientific survey of the traffic situation in its entirety under the direction of some recognized expert in this highly technical problem.

Effective regulation of street traffic in San Francisco has not progressed in proportion to the growth of vehicular population, with the result that congestion has rapidly become acute. The Police Department has been called upon to cope with a situation for which it is neither organized nor equipped, and although creditable progress has been made, it cannot reasonably be expected to successfully handle a condition which has so far outgrown the facilities at its disposal. The Police function is essentially administrative. They can be depended upon to enforce rules and regulations but should not be called upon to devise them.

Although the traffic problem has been informally discussed by various groups for some time past, and many suggested plans for its solution have been advanced, little of a constructive nature was ever done until the present Board of Supervisors recognized its importance by including a Traffic Committee among its regular standing committees. This committee has been engaged solely in the consideration of ways and means for the expedition of street traffic and the protection of the public, and considering the limitations imposed upon any official body of a political nature, has made commendable progress in what may be termed the mechanics of traffic regulation. The permanent marking of safety zones and pedestrian lanes and the experimental installation of several types of automatic signals are

among the more obvious results of the committee's activities. The members of the Committee were, however, among the first to realize that the scope and magnitude of the problem as a whole was such as to call for expert consultation and the formulation of a comprehensive plan by an independent citizens' agency, and have formally announced their willingness, by resolution, to endorse such an organization and co-operate with it in every way.

A well known traffic engineer has been quoted as saying there is no Republican or Democratic way of regulating traffic; that there is no administration or anti-administration panacea for relief; and that the only possible approach to a solution of the problem is to collect, to classify, to analyze, to correlate and to interpret all pertinent facts relating to it. In other words it is essentially an engineering problem that must be attacked from an absolutely independent, non-partisan standpoint. Experience in other large cities indicates that an independent non-political citizens' commission provides the most effective and most satisfactory means for undertaking the work, and it is hoped that the outstanding substantial interests of the community will get solidly behind the movement in San Francisco so that constructive steps may be taken without further delay.

Immediate action is imperative in order that timely co-operation with the Board of Supervisors may be assured. It is probable that a substantial appropriation for signals, safety-zones, markers, etc., will be made in the forthcoming budget, and the recommendations of a citizens' commission, based upon the advice of its technical experts, will be of great value in determining the most advantageous distribution of this equipment.

5-5-30

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Vol. VI MAY, 1926 No. 5

The 1926-27 Budget

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"An incorporated non-partisan citizens' agency to study public business, co-operate with officials and specifically work for economy and efficiency in municipal affairs."

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The 1926-27 Budget

The budget of the City and County of San Francisco as adopted by the Board of Supervisors for the fiscal year 1926-27 amounts to $33,284,382 and is $1,771,047 less than the budget for the current fiscal year. It is the first budget in the recent history of the city that shows a decrease from that of a preceding year, and it is the first time since 1917 that the tax rate necessary to fund the budget will be lower than the rate for the preceding year.

Official requests for appropriations filed by city departments, together with requests from organizations and individuals for improvements of various kinds amounted just as in previous years, to several millions of dollars in excess of appropriations finally granted, but the members of the Finance Committee stated that they interpreted the results of the last municipal election as a mandate from the people for strict economy in the conduct of municipal affairs, and had therefore confined their recommendations solely to appropriations they considered essential to the continued operation of the municipal government and the necessary development of the community.

During consideration of the Finance Committee's report by the Board of Supervisors, amendments were offered by various members of the Board for additional appropriations, which, if adopted, would have increased the budget total by about $600,000. These included the extension of Van Ness Avenue from Mission to Howard Street, the further development of the Tubercular Sanitarium in San Mateo County and various salary increases.

However, the budget as finally adopted by a unanimous vote, was only $78,000 in excess of the Committee's original recommendations.

Major reductions in appropriations in this budget under those allowed for similar purposes last year and the amounts by which they have been reduced are as follows: Permanent improvements, $855,105; Bond interest and redemption, $778,847; Street repair and reconstruction, $298,014; School buildings and land, $150,000; Building repair and maintenance, $55,495, and Street cleaning, $37,460.

These decreases are partially offset by increases to various departments and for various purposes, the most important of which are: Schools, $100,000; Charity, $73,600; General miscellaneous, including supplies, $51,593; Relief Home, $43,976; Police Department, $34,027; Fire Department, $22,383; Tax Judgments, $25,318; and San Francisco Hospital, $15,380.

COMPARATIVE BUDGET APPROPRIATIONS
1924-25, 1925-26 and 1926-27

	1924-25 Budget Allowance	1925-26 Budget Allowance	1926-27 Budget Allowance	Increase (– Decrease)
1. Legislative—Supervisors	$ 148,600	$ 162,580	$ 175,680	$ 13,100
2. General Departments	620,880	687,320	681,710	—5,610
3. General Misc. incldg Supplies	371,100	447,500	499,093	51,593
4. Legal Departments	194,132	219,860	221,960	2,100
5. Judicial Departments	495,406	566,722	569,932	3,210
6. Department of Elections	325,230	524,380	549,460	25,080
7. Street Lighting	590,000	625,000	630,000	5,000
8. Police Department	2,555,364	3,165,108	3,199,135	34,027
9. Fire Department	2,778,853	3,222,182	3,244,565	22,383
10. Department of Electricity	182,500	214,970	220,370	5,400
11. Public Works—Gen. and Engineering	387,039	426,667	431,227	4,560
12. Public Bldgs., Maint. and Repair	451,650	521,330	465,835	—55,495
13. Street Repair and Reconstruction	754,570	1,285,955	987,941	—298,014
14. Street Cleaning	489,370	607,600	570,140	—37,460
15. Sewer Repair and Cleaning	258,050	261,520	254,670	—6,850
16. Health Department—General	420,508	510,570	508,370	—2,200
17. S. F. and Isolation Hospital	843,510	923,230	938,610	15,380
18. Emergency Hospitals	168,145	192,520	182,427	—10,093
19. Relief Home	336,818	387,737	431,713	43,976
20. Charities (Orphans, Widows, etc.)	894,820	978,500	1,052,100	73,600
21. Pensions	804,000	1,154,700	1,154,700	
22. Corrections (Jails, Probation, etc.)	301,790	364,262	368,162	3,900
23. Public Library	242,700	262,500	262,500	
24. Parks, Playgrounds and Amusements	995,472	1,260,000	1,260,000	
25. School Department	5,438,230	6,954,477	7,054,477	100,000
26. School Buildings and Land	250,000	1,050,000	900,000	—150,000
27. Other Permanent Improvements	1,202,820	2,264,003	1,408,898	—855,105
28. Bond Interest and Redemption	4,683,779	5,677,236	4,898,389	—778,847
29. Tax Judgments		137,000	162,318	25,318
TOTAL	$27,185,336	*$35,055,429	$33,284,382	—$1,771,047

*Corrected total 1925-26 Budget, $5,080 less than total in printed copies. This adjustment due to errors in Budget Items 108 and 260.

The budget as adopted is unique in that no increases in compensation and no additional positions are provided for in any of the city departments, although the customary requests from various sources were about as numerous as in previous years. The Finance Committee expressed the belief that the mandate for economy applied not only to the Board of Supervisors, but also to executive and administrative officials and employees, and adhered strictly to existing pay roll figures. In pursuing this policy it is possible that some meritorious requests for increases were denied, but in view

of the fact that the Civil Service Commission is at the present time engaged in the preparation of a duties classification for all municipal employments to be used for salary standardization purposes in accordance with the charter amendment adopted in 1924, the deferring of all adjustments until a comprehensive and satisfactory classification is submitted to and adopted by the Board of Supervisors, seems only fair to the personnel as a whole. Any attempted readjustment of salary schedules without a duties classification as a sound basis for comparison will very likely result in further emphasizing the inequities now apparent in the city's pay roll, whereas a truly equitable and complete readjustment will be possible after such a classification is available.

The reduction of $855,105 in appropriations for permanent improvements is based on a comparison of budget items and not on actual expenditures. Many improvement projects which appeared in last year's budget were abandoned or postponed for various reasons, the principal one advanced being the lack of funds. These amounted to over $900,000 and included war memorial and civic center, $400,000; Marina land, $290,000; Main Sewers, $100,000; Municipal Garage, $91,000, and Municipal warehouse, $66,000. The lack of funds was the result of anticipating the use of $1,400,000 of Hetch Hetchy power revenue which it was later determined could not legally be used until after the first of next July.

Several projects for which large appropriations were included in last year's budget have either been completed during the year or will be continued with money from the County Road Fund, which is not included in budget calculations. Those units completed include the Kezar Stadium, $110,000; Fleishhacker Pool, $100,000, and Harding Park Golf Links, $50,000; and those to be continued with County Road funds include Bernal Cut, $100,000, and various major street improvements.

The new budget includes appropriations totalling $540,000 for Municipal Airport, a Civic Center Facade, the Fine Arts Palace, a park in the Mission district, traffic signals, and extension of the high pressure water system, all of which are new items.

The appropriation for bond interest and redemption is $778,847 less than was made for this purpose in the current year's budget. This is not because there will be less to pay, in fact there will be slightly more to be met than during the present year, but the difference will be made up from revenue from sources other than taxation.

An ordinance adopted by the Board of Supervisors some months ago provides that the interest and redemption for the coming fiscal year on $9,000,000 of the $45,000,000 Hetch Hetchy water bond issue of 1910, from which the power project was financed, shall be paid from the revenue received from the sale of Hetch Hetchy power. The sum of $605,000 will therefore be available from this source, and the balance is expected to be

covered by interest which the city will earn on idle bond funds invested in securities.

To offset the $298,000 reduction in the budget appropriation for street reconstruction, the Finance Committee in a statement accompanying the budget report and adopted by the Board of Supervisors, recommended that street work to the extent of approximately $350,000, and of a character usually covered by budget appropriations in the past, be made a charge against the County Road Fund. Heretofore the County Road Fund, which is the County's portion of the automobile and gasoline tax, has been used almost exclusively for major highway projects, and has not been considered a budget factor. Inasmuch as this fund is expected to amount to about $800,000 for the year, the statement also allocates approximately $400,000 of this for such major improvements as the Bay Shore Highway, Ocean Shore Boulevard, Bernal Cut, and the Market Street extension.

The tax rate to fund the budget is not required to be fixed until September and cannot be estimated with any degree of accuracy, until assessment roll figures are known. The Assessor will complete the rolls the first of July, and they will be subject to equalization by the Board of Supervisors later. Although the new budget includes an appropriation of $50,000 for the purpose of equalizing the appraisal of all of the taxable real property within the city and county, this will not affect this year's assessments.

In the past it has been possible to base the estimated increase in the rolls on past history, but the effect of a new law in operation this year for the first time which provides for the assessing of foreign securities and solvent credits at 7 per cent of their value, is problematical. Heretofore it has been the practice to assess this class of property on a 50 per cent basis, and declarations must increase seven fold to avoid a reduction. On the other hand, the tax rate for the coming year will be favorably affected by the fact that unsecured personal property will be taxed at last year's rate of $4.13, regardless of any reduction in the new rate.

Irrespective of the uncertainties entering into the question this year, it is quite likely that the normal increase in real estate and improvement values will offset any decrease brought about by the new 7 per cent law, and that the assessment roll, when completed, will at least equal last year's figures. On this basis a tax rate of about $3.97 will be necessary to fund the budget. Any increase or decrease in the roll will of course have a proportionate effect on the rate.

Consideration of the budget and probable tax rate is confused again this year as in the past by the absence of any revenue estimates. Budget revenues other than taxes will probably amount to $5,000,000 for the next fiscal year, and play an important part in these calculations. A budget which is simply a tabulation of expenditures is incomplete and should be

accompanied by a statement of anticipated revenues with which it is to be funded.

The making of a budget of the magnitude of San Francisco's expenditure program is properly an all year round job and the limited time and facilities available to the Finance Committee for its preparation are inadequate for the proper consideration of the mass of detail involved. As a result many budget items must of necessity be determined arbitrarily without sufficient detail knowledge of the circumstances. For these reasons the Bureau urges that budgetary control be so established that budget making preparations may be carried on throughout the year, and that a complete statement of anticipated revenues, as well as estimated expenditures, may be made a part of the annual budget report.

The Seven Per Cent Law and Its Possible Effect On the Assessment Roll

The so-called seven per cent law, or Foreign Securities Act, in effect this year for the first time, provides that foreign securities and solvent credits shall be assessed at seven per cent of their value instead of on a fifty per cent basis as has been the practice in the past. It will, according to its proponents, ultimately result in increased revenue, but whether this increase will be apparent immediately, or whether it will manifest itself only after a period of years, remains to be seen.

Designation of this statute as the Foreign Securities Act has to a certain extent been misleading, and the lack of a complete understanding on the part of the public as to the actual scope of the law may result in some hesitancy on the part of taxpayers to declare property which it is intended to cover until they feel sure they know what it is all about. This will not only prove detrimental to the assessment roll this year, but may and probably will be embarrassing and costly to the individual taxpayer who inadvertently fails, through misunderstanding or otherwise, to make the proper declarations.

The law covers not only foreign securities, but also those of California corporations with holdings outside the boundaries of the state. These are taxed upon the proportion of their holdings outside of California. In addition to such securities the law also applies to all money, solvent credits, and mortgages not secured by real estate within this state. Solvent credits include all debts not secured by mortgage on California real estate, unsecured notes, commercial bank balances (checking accounts), and all book accounts that are owing to a firm or individual.

The law also provides for the assessment of all securities at the home of the owner, regardless of the fact that they may be kept outside of the state, so that the sending of such securities outside of California does not exempt them from taxation.

In order to overcome the natural hesitancy of the taxpayer to expose all details of his holdings on public record, the Assessor has maintained a confidential file which precludes any possibility of declarations being open to the public scrutiny, and more recently the City Attorney has ruled that lists of securities accompanying declarations may be returned immediately to the declarer as soon as they are appraised. They need not become a permanent record in the Assessor's office.

Declaration of property under this law may be made up to July 1st, even though a personal property return may have already been made. There is no penalty to be applied this year even though the property in question should properly have been declared last year, but should a delinquency be disclosed in declaring this year's securities, a penalty of full cash value instead of the seven per cent provided for in the law must be imposed.

In view of the complexities of the law it behooves the taxpayer generally to carefully scrutinize all of his holdings and make the proper declaration in order to avoid the rather drastic penalties which may be imposed next year in place of the nominal seven per cent tax which would apply this year.

Last year the taxpayers declared $60,000,000 in money, solvent credits and foreign securities. It was assessed on a fifty per cent basis and therefore added $30,000,000 to the assessment roll. This year this class of property can only be assessed on a seven per cent basis, so the Assessor must discover or the taxpayer reveal close to $430,000,000 if last year's proportion of the total assessment roll from this source is to be equalled. The Assessor reports a gratifying increase in the number of returns on this class of property so far this year, but a comparison of relative totals will not be possible until the assessment roll is completed.

Bureau Holds Annual Dinner Meeting

The Bureau held its fourth annual dinner meeting at the Palace Hotel on Wednesday, May 26th, which was attended by nearly 200 members and their guests. E. Clarence Holmes, chairman of the Board of Trustees, presided and gave a report on the Bureau's work. Mark H. Gates, secretary, reported on results achieved by the Bureau during the year and outlined its future program. Remarks on bureau co-operation were made by Bruce Cornwall, Mrs. Jesse Steinhart and E. W. Milburn, and Dr. Tully C. Knoles, President of the College of the Pacific, delivered an address on "The New Economics."

Trustees re-elected for new four-year terms were: W. H. Crocker, Bruce Cornwall, W. T. Sesnon, J. J. Fagan and Colbert Coldwell.

Recent Municipal Events

SAN FRANCISCO JOINS WATER CONFERENCE: Representatives of Peninsula cities and officials of San Francisco have held several

conferences and perfected an organization to conduct a survey to determine the source of the future water supply of the peninsula south of San Francisco. The survey will cover the legal, engineering, and politico-economic factors, and is expected to answer the question as to whether the peninsula cities shall develop their own future water supply or take advantage of San Francisco's Hetch Hetchy development. The San Francisco Board of Supervisors by resolution has endorsed the survey and appropriated $3000 as its share of the expense.

OFFICES RENTED FOR OFFICIALS: Because of the congestion at the Hall of Justice and the recommendation of the county grand jury that steps be taken to give the police department more adequate quarters, the Board of Supervisors has entered into a lease for 7900 square feet of office space at 333 Kearny Street for the offices of the District Attorney, Adult Probation Officer and Public Defender. The vacated space in the Hall of Justice will be taken over by the police department. The lease provides for an annual rental of $14,233, revocable on three-months notice.

TRAFFIC CONFERENCE CALLED: The Board of Supervisors has called on legislative bodies and police departments of all northern California cities and Los Angeles to send representatives to a conference to be held in San Francisco July 16 and 17 for the purpose of formulating a uniform code of traffic regulation to be ordained by the municipalities.

GARBAGE DISPOSAL PROPOSALS SOUGHT: The Board of Supervisors by resolution has declared in favor of the immediate abandonment of the present city incinerator and on June 14th will receive any and all proposals for disposal of the city's garbage, without restriction as to the method.

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Vol. VI JUNE, 1926 No. 6

Assessment Roll Increase Lowers Anticipated Tax Rate
The Bonded Debt of Cities
Independent Traffic Commission Contemplated
The Trend of Municipal Salaries
Real Property to Be Reappraised
City Manager Plan Commended
Recent Municipal Events

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Assessment Roll Increase Lowers Anticipated Tax Rate

The non-operative assessment roll for City and County purposes for the current year, as submitted to the Board of Supervisors by the Assessor, totals $757,032,999, exceeding last year's roll by $23,103,632. It is still subject to check by the Auditor and equalization by the Board of Supervisors.

Owing to the uncertainties injected into the question this year by the new seven per cent law affecting foreign securities and solvent credits, prior estimates of the assessment roll anticipated that the normal increase in real estate and improvement values would be offset by decreases brought about by the new law, and that the roll would therefore show little if any increase over the previous year. The Assessor's report, however, shows that the loss of approximately $32,000,000 sustained through the seven per cent law and additional war veterans' exemptions, was more than offset by an increase of over $55,000,000 in other property.

With this net increase in the assessment roll it is estimated that the tax rate for this year will be approximatetly $3.80 on each $100 of assessed valuation, as compared with last year's rate of $4.13. In view of the fact that miscellaneous revenue figures and other factors affecting the rate are not yet definitely established, it may be a few cents higher or lower than the present estimate when finally fixed.

The Bonded Debt of Cities

An analysis of the annual report of the Detroit Bureau of Governmental Research on the bonded debt of 210 cities in the United States and Canada gives much food for thought on the trend of municipal bond-paid expenditures. The report indicates that as a general rule cities are adding to, rather than subtracting from, their debt burdens, and that the larger cities are using their credit more freely than the smaller ones. It also shows for what purposes the bond money is being spent, and how much of the indebtedness is self-supporting. It does not, and it cannot, show whether the purposes were necessary, whether the money was economically spent, whether bond maturities co-ordinate with the probable life of the improvements, or if adequate provision has been made for their retirement. These are questions which cannot be answered in a mere statistical summary, and which each community must answer for itself.

The figures presented here in the tables are for cities reporting in both 1925 and 1926 with a population of 500,000 or over, and cover bonds outstanding as of January 1, 1926. They do not include bonds authorized but unsold, special assessment debt or current loans. The debt designated in the Detroit Bureau's report as "self-supporting" is that portion which is not retired by taxation.

Of ten cities in the United States of more than 500,000 population, for which figures are available, San Francisco alone decreased its bonded debt last year. Its net bonded indebtedness on January 1, 1926, was 2.17 per cent less than on the same date the previous year. All other cities in this class added to their bonded obligations, increases ranged from less than one per cent for Pittsburgh to practically 40 per cent for Los Angeles.

A significant feature of the Detroit Bureau's report this year is a tabulation of the net debt excluding bonds not retired from taxes. This shows that approximately 25 per cent of the total outstanding indebtedness of the cities reporting with a population of over 500,000 is being retired with funds from sources other than taxation. Los Angeles, which has a total net bonded debt of $123,523,949, is shown as retiring $85,813,413, or 70 per cent outside of the tax levy, by far the largest proportion of any large city. Boston met the retirement obligations on 40 per cent of its debt without taxation, Chicago on only 4 per cent, and San Francisco on but 5 per cent. San Francisco's position will become more favorable in this respect this year when the annual retirement amount on $9,000,000 of Hetch Hetchy bonds will be met from power revenues, and would be even more advantageous if all surplus revenues from power were allocated to debt charges.

Eliminating New York, because of its unusual financial problems, a comparison of the net bonded debts of large cities according to purposes for which bonds were outstanding as of January 1, 1925, and January 1, 1926, tends to show that general improvement bonds have increased in greatest

proportion, public utility bonds have almost kept pace with these, but there is a definite trend downward in the issuance of public school bonds.

Detroit and Cleveland were the only cities to increase their net bonded indebtedness for all three classes of bonds. Los Angeles, Chicago and Boston increased their general improvement and public utility bonded debts but decreased their public school debts. Buffalo increased its general improvement and public school debts but decreased its public utility debt. St. Louis increased its general improvement debt but decreased the others. Pittsburgh's only increase was for schools. San Francisco was the only city to reduce all classes of debt.

San Francisco's gross bonded debt on January 1 was $76,442,400, of which $22,002,400 was for general improvements, $10,850,000 was for schools, and $43,590,000 for public utilities. It had provided $2,521,600 for redemption, and its self-supporting debt (Municipal Railway bonds) was $3,590,000, leaving a net bonded debt of $70,330,800 to be retired from taxes. San Francisco has the smallest debt for general improvements of all cities of more than 500,000 population.

TOTAL NET BONDED DEBT

City—	Jan 1 1925 *	Jan. 1 1926 *	Increase —decrease *	%	% Not retired from taxes
Los Angeles	$ 88,521	$ 123,524	$35,003	40	70
Chicago	132,791	163,220	30,429	23	4
Detroit	143,618	169,956	26,338	18	25
Buffalo	53,541	63,115	9,574	18	22
Boston	82,481	90,289	7,808	9	40
Cleveland	116,980	124,094	7,114	6	28
New York	1,173,210	1,229,646	56,436	5	26
St. Louis	25,393	25,738	345	1	23
Pittsburgh	53,826	54,063	237	0	14
San Francisco	75,559	73,921	—1,638	—2	5

* (000) omitted

NET GENERAL IMPROVEMENT BOND DEBT

City—	Jan. 1 1925 *	Jan. 1 1926 *	Incr'se —decr'se *	%
Los Angeles	$21,368	$38,688	$17,320	80
Buffalo	22,723	28,497	5,774	25
Chicago	128,126	156,980	28,854	22
Detroit	63,468	76,639	13,171	20
St. Louis	15,341	18,056	2,715	18
Boston	40,689	46,690	6,001	15
Cleveland	60,228	61,928	1,700	3
San Fran'sco	21,994	20,968	—1,026	—5
Pittsburg	32,004	29,249	—2,755	—9

* (000) omitted

NET PUBLIC SCHOOL BOND DEBT

City—	Jan. 1 1925 *	Jan. 1 1926 *	Incr'se —decr'se *	%
Buffalo	$17,543	$21,818	$4,275	24
Pittsburg	13,972	17,284	3,312	24
Detroit	36,919	45,454	8,535	23
Cleveland	24,579	27,769	3,190	13
St. Louis	1,865	1,845	—20	—1
San Franc'sco	10,875	10,472	—403	—4
Boston	7,762	7,314	—448	—6
Chicago	50	.....	—50	—100
Los Angeles	386	.....	—386	—100

* (000) omitted

NET PUBLIC UTILITY BOND DEBT

City—	Jan. 1 1925 *	Jan. 1 1926 *	Incr'se —decr'se *	%
Chicago	$ 4,616	$ 6,241	$1,625	35
Los Angeles	66,765	84,836	18,071	27
Detroit	43,231	47,863	4,632	11
Cleveland	32,172	34,398	2,226	7
Boston	34,030	36,285	2,255	7
San Franc'sco	42,690	42,480	—210	—1
Buffalo	13,276	12,801	—475	—4
Pittsburgh	7,850	7,530	—320	—4
St. Louis	8,186	5,837	—2,349	—29

* (000) omitted

Independent Traffic Commission Contemplated

Plans for the organization of a representative, non-political, self-financed Traffic Commission, for the purpose of conducting an engineering survey of the local traffic situation, were again discussed at a meeting held June 22 at the Chamber of Commerce, at which some two hundred representatives of the many interests affected by the traffic problem were present.

The meeting was addressed by Dr. Miller McClintock, consulting engineer of the Los Angeles Traffic Commission, who is also directing a traffic survey in Chicago at the present time. Dr. McClintock briefly outlined the methods pursued in Los Angeles and Chicago in attacking the traffic problem, and reviewed some of the benefits secured in those cities through the application of scientific principles. He particularly emphasized the necessity for complete co-operation among all civic and commercial interests, inasmuch as the safe and expeditious use of the public streets is a matter in which the citizenship as a whole is vitally interested.

Present plans contemplate the formation of a large group representative of the street railway, taxicab, drayage, mercantile, financial and any and all other interests directly or indirectly affected by traffic conditions. A competent engineering staff of traffic experts is to be engaged to conduct a comprehensive survey of existing conditions and devise remedial measures based upon conclusions reached as a result of this survey. These measures, after discussion by and upon approval of the Commission, will then be submitted to the legislative department of the city for appropriate action.

The Mayor, the Board of Supervisors and the Police Department have publicly announced their desire to co-operate with such a body, and will welcome such recommendations and advice as will result from studies made by its technical experts. It remains only for those vitally interested, and that includes every interest using or affected by the use of the streets, to get collectively behind the movement and insure its success by their financial as well as moral support.

The Trend of Municipal Salaries

The Philadelphia Bureau of Municipal Research, in a recently published report on "Municipal Salaries Under the Changing Price Levels," presents some interesting figures on the trend of compensation in municipal employment in our principal cities over a ten-year period. Comparisons are drawn with similar employments in private service and with index figures representing fluctuations in cost of living.

Based upon figures compiled by the U. S. Bureau of Labor Statistics, the report places the cost of living in June, 1925, at 67 per cent above 1915. Considering weighted average salaries of all groups and classes

of employees included in the study, the increase in compensation during this same period averaged 72.34 per cent, indicating that compensation in general has increased slightly more than the cost of living. Analysis of this average increase reveals the fact, however, that it has not been uniformly distributed. In general, the lower salary grades show the greatest proportionate increases, whereas the higher grades show the smallest increase. Unskilled labor, for example, shows an increase of 97 per cent, but a "representative" group composed of clerical, custodial, inspectional and skilled labor employees only 61 per cent. The following table gives relative figures in various cities for three of the groups covered by the study:

AVERAGE (Weighted) ANNUAL COMPENSATION OF MUNICIPAL WORKERS IN TWELVE CITIES IN 1915 and 1925

	Representative Group			Patrolmen			Hosemen & Laddermen		
	1915	1925	% Incr.	1915	1925	% Incr.	1915	1925	% Incr.
All Cities	$1399	$2251	61	$1217	$2083	71	$1187	$2022	70
New York	1542	2529	64	1303	2186	58	1263	2080	65
Chicago	1586	2486	57	1250	2000	60	1199	2050	71
Philadelphia	1120	1755	57	989	1906	93	1000	1976	98
Detroit	1338	2133	59	1178	2359	100	1159	2351	103
Boston	1101	1754	59	.....	.....	....	.....	.....	....
Baltimore	1063	1660	56	1020	1658	63	900	1500	67
Pittsburgh	1277	2089	64	1080	2007	86	1080	2040	89
Buffalo	1351	2145	59	1194	1949	63	1171	1950	67
SAN FRANCISCO	**1523**	**2397**	**57**	**1464**	**2400**	**64**	**1320**	**2373**	**80**
Milwaukee	1236	1993	61	.....	.....	....	1060	1860	75
Cincinnatti	1184	1745	47	1070	1617	51	1152	1611	40
Minneapolis	1128	2054	82	1096	1971	80	1152	2028	76

Note—Representative Group includes 44 typical classes of employees, none of which is so large as to overshadow the other classes. Included in this group are positions such as Messengers, Stenographers, Janitors, Elevator Operators, Machinists, Painters, Engineers, Draftsmen, etc.

The report is of interest locally in that while it places San Francisco salaries among the highest, the percentage of increase since 1915 is actually less than the average increase for all cities, indicating not only that local employees are now receiving more liberal remuneration than in most other cities, but that this same condition existed in 1915. In the "representative" group referred to above, San Francisco salaries increased from an average of $1,523 in 1915 to $2,397 in 1925, an increase of 57 per cent, whereas the average for all cities increased from $1,399 to $2,251, or 61 per cent. In this group San Francisco salaries are exceeded only by those of New York and Chicago, and exceed the averages in nine other cities.

Real Property to Be Reappraised

A further step towards the scientific reappraisal of all real property in San Francisco, for which $50,000 is provided in the 1926-27 budget, has been taken by the Board of Supervisors in the adoption of a resolution providing for an advisory committee to act in conjunction with the Finance Committee of the Board and the Assessor. The San Francisco Bureau of Governmental Research will be represented on the committee by

Mark H. Gates, secretary. Other members are B. A. Banker, Henry Boyen, Andrew J. Gallagher, Philip P. Paschal, Paul Scharrenberg and Paul S. Sinsheimer, representing the Real Estate Board, the banks, and union labor.

The committee is empowered to conduct public hearings for the purpose of ascertaining the true value of real property, and is expected to report the results of its investigation not later than July 1, 1927.

The committee at its first meeting organized by electing B. A. Banker chairman, Supervisor James B. McSheehy vice-chairman, and H. A. Mason of the Board of Supervisors staff, secretary.

City Manager Plan Commended

Kansas City and Cincinnati are the latest of the large cities to adopt the city manager plan of local government. While it is too early to judge the success of this forward step in these cities, it is interesting to note what the first comments are in regard to the change.

The Public Service Institute of Kansas City says in a recent bulletin:

"The council which has been elected is generally believed to be as capable as Kansas City has ever had. Authority and responsibity have been centralized. There can be no shifting of responsibility, no alibis for inferior service. The new councilmen and the new administrative officials seem inspired with an ambition to render good service."

Mayor Murray Seasongood of Cincinnati said in a recent speech:

"Most remarkable is the change in the attitude of citizens toward their local government. Distrust and opposition have given way to confidence, appreciation and co-operation. The new administration, and particularly the city manager, have proceeded with moderation. They have recognized that the rank and file of the organization are not to be held responsible for the acts of the boss. There has been no attempt at evasion of the civil service laws to force out of positions employees who are willing to do their best; but they have been firmly notified that partisan political activity on their part must cease.

"The police, in a few brief months, have improved in *esprit de corps*, courtesy and efficiency to an amazing degree. Holes in streets have been filled up with rapidity; the largest street and sewer improvement programs in years are well under way; street signs have been placed on the street corners, and the whole appearance and tone of the community have been changed."

Recent Municipal Events

ALAMEDA AUTO FERRY FRANCHISE GRANTED: The Board of Supervisors has granted A. O. Stewart, president of the Golden Gate Ferry Company, a franchise to operate an automobile ferry route

from the foot of Townsend street to Alameda. If the grantee obtains a certificate of convenience and necessity from the State Railroad Commission, it is expected that service on the route will start within a year. Pier 36 will be the San Francisco terminal. The Alameda terminal will be a wharf, 6,800 feet long, from the foot of Pacific street. Features of the franchise granted by the supervisors are a provision which reserves the right of the board to revoke the franchise if a minimum hourly service from 8 a. m. to 6 p. m. is not maintained, regardless of regulations imposed by the State Railroad Commission; and a provision that the franchise cannot be assigned to other parties without the consent of the board.

GAS RATE COMPROMISE: The recommendation of the City Attorney that the city accept the compromise offer of the Pacific Gas & Electric Company in the gas rate litigation cases of 1913-14-15 has been referred by the Board of Supervisors to the Finance Committee. The committee is under instructions to consult with the City Attorney in regard to obtaining better terms. Under the terms of the proposed compromise, the rate payers of San Francisco are to receive approximately $1,000,000, or about one-half of the alleged excess gas rate collections involved. The cases were won by the city in the federal district court and the circuit court of appeals, but were remanded for retrial by the United States Supreme Court.

DECISION EXPECTED ON TRANSBAY BRIDGE: Chief of Engineers of the War Department has promised that San Francisco shall have a decision regarding a transbay bridge north of Hunter's Point not later than July 10. A ruling of the department now prohibits a bridge north of Hunter's Point, and application has been made by the City to have the ruling reversed.

The Board of Supervisors now has before it at least twelve applications for franchises for a transbay bridge, and several others are expected to be filed.

The City

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Courts to Decide Disposition of Hetch Hetchy Power Revenues

A local taxpayer has commenced suit in the State Supreme Court for a writ of mandate to compel the Board of Supervisors to apply all of the surplus earnings from the disposal of Hetch Hetchy power toward debt charges on the 1910 issue of Hetch Hetchy bonds. The Board of Supervisors has adopted an ordinance setting aside a large portion of this surplus revenue for the construction of a transmission line from Newark to San Francisco.

The present power development includes a transmission line from the Power House at Moccasin Creek to Newark and under an agreement entered into between the City and the Pacific Gas & Electric Company, the power generated at the Moccasin Creek plant is turned into the Pacific Gas & Electric Company's substation at Newark and distributed by this company acting as an agent for the City.

This agreement has been in effect since August, 1925, and while official figures are not yet available, it is estimated that the gross revenue received by the city from the disposal of this power for the ten and one-half months of the fiscal year ended June 30, 1926, amounted to approximately $2,000,000. The cost to the city of operating the Moccasin Creek plant and transmitting the power to Newark is estimated as $185,000 for the same period of time, and in accordance with an ordinance adopted by the Board of Supervisors, in February, 1926, $83,333 is to be set aside for depreciation charges and $605,000 to cover interest and redemption charges on

$9,000,000 of the Hetch Hetchy bonds. This will leave a balance of more than $1,000,000 which the ordinance provides shall be applied to the acquisition or construction of a transmission line from Newark to San Francisco and a step-down station inside the city limits. The purpose of the suit is to compel the city to apply this amount, as well as the $605,000, to bond interest and redemption charges.

The Charter provides that the Board of Supervisors may from time to time make appropriations from the receipts from public utilities for the following purposes: (a) operating expenses; (b) repairs and reconstruction; (c) interest and sinking fund on bonds issued for the acquisition or construction of such utilities; (d) extensions and improvements; (e) reserve funds. The Charter also provides "that when the interest and sinking fund payments for any fiscal year on the bonds issued for any public utility can be met out of the surplus earnings of such public utility for the preceding year, no tax shall be levied for such purpose."

The power house and transmission line to Newark were constructed from the proceeds of the 1910 Hetch Hetchy water bonds and the courts have held in a previous suit that the power development is a part of and incidental to the water project.

On March 15, 1926, the Board of Supervisors appropriated $20,000 from the surplus power earnings for preliminary work on the proposed power line from Newark to San Francisco, but subsequent to the filing of the suit referred to above, it rescinded this action and on July 26th passed to print an appropriation of $5000 from the general fund for this purpose, in order that the work may continue pending the outcome of the suit.

The interest and redemption charges on the $38,000,000 outstanding 1910 Hetch Hetchy water bonds for the present fiscal year will amount to $2,710,000. Therefore the application of all of the surplus power revenue to this purpose will still leave a balance of over $1,000,000 to be funded from taxation or other sources. The amount of this surplus power revenue which the Board of Supervisors has set aside for the transmission line and stepdown station if applied to debt charges would reduce the necessary tax rate by about 15 cents.

The City Engineer has stated that his purpose in completing the present power development in advance of the requirements of the Raker Act was to secure immediate revenue from the project to relieve, as far as possible, the heavy tax burden for interest and redemption charges on the outstanding Hetch Hetchy debt.

The extension of the transmission line from Newark to San Francisco would be of no advantage to the City under present conditions, as there would be no outlet for the power until the City has either acquired or constructed a distribution system. At the request of the Board of Supervisors and at considerable expense to the City the State Railroad Commis-

sion has for some time been engaged in an evaluation of the local distributing systems of the Pacific Gas & Electric Company and the Great Western Power Company for the purpose of determining upon a price at which one or both of these systems may be purchased by the City, and the Bureau believes that in accordance with this plan, the people should be given an opportunity to vote on a definite proposal for municipal distribution of the Hetch Hetchy power before any further expenditures are made in this direction.

Revolving Fund for Street Construction

A charter amendment providing for the financing of public contract street construction in San Francisco by means of a revolving fund was adopted at the November, 1924, election, but before it can become effective the Board of Supervisors must determine the amount necessary to start the fund and otherwise provide for its administration.

Public contract street construction is usually carried on under either the city pay method or the public contract method. Under the city pay method, financed by the city, the contractor receives progressive payments during the course of construction and a final payment on acceptance of the work. Under the public contract method, financed by assessments on benefited property, the contractor receives no money until his work is completed and accepted, when he receives part cash and the balance in first lien bonds against the property of owners electing to pay for the improvement on the installment plan. Inasmuch as the owner may pay these installments over a period not to exceed ten years, with 7 per cent interest, contractors have been in the habit of disposing of these bonds, even at a sacrifice, in order to avoid tying up working capital.

In order to determine the relative costs of these two methods the Bureau made a study in 1923 the results of which indicated that public contract costs were greater, in many cases nearly 25 per cent greater, than city pay costs. This condition was attributed to the fact that contractors, compelled to assume the burden of financing a project as well as constructing it, were taking that fact into consideration in the preparation of their bids.

As a result of this analysis the 1924 charter amendment providing for a revolving fund and the use of the city's credit for financing local improvements was proposed and adopted. It provides that a bond issue may be authorized, not subject to the 15 per cent bonded debt limit, and maturing in not to exceed 15 years. The resulting fund, to be periodically replenished by the collection of special assessments carrying a 7 per cent interest charge levied against affected property owners will be used for specific projects as authorized and for the payment of bond interest and redemption charges. It is estimated that the difference between the 7 per cent interest charge against the property owners and the rate of interest the

city will pay on the bonds will compensate the city for the cost of administering the fund. The amount to be assessed against benefited property and the amount of bonds to be sold will be based upon recommendations of the city engineer, who is required to file a report covering the cost of each project.

For the purpose of determining the approximate amount of a bond issue necessary to provide a revolving fund sufficient to finance public contract street improvements only, the Bureau has compiled figures from official records covering this class of work over a period of years, and it estimates that on the basis of past performance, a bond issue of $2,000,000 would be adequate for an indefinite period. This estimate is based on assessments levied for public contract street work for each of the five fiscal years from July 1, 1920, to June 30, 1925, which show the average yearly amount of these assessments to be $516,000, and that average payments were made as follows: $305,000 cash upon completion of the work; $82,000 in ten year installments; and $129,000 of unrecorded payments.

The estimate of $2,000,000 does not take into consideration any special assessment levy for improvement projects other than new street construction. If a revolving fund should be proposed for financing all special assessment improvements such as tunnels, parkways, and boulevards, a much larger issue would be necessary and could not be calculated with any degree of certainty owing to the lack of knowledge as to what projects of this nature are contemplated, the amounts involved, or the allocation of costs. The Bureau therefore has confined its study to street work only, believing that additional issues can best be submitted as these special major projects develop.

The results of the Bureau's study in 1923 of street construction costs under the city pay and public contract methods indicated that the operation of the revolving fund method authorized by the 1924 charter amendment will bring about a substantial saving in the cost of public contract street work and the study of the amounts involved and the manner of payment was made in anticipation of action which will make the amendment effective.

Meeting the Traffic Problem

The application of scientific principles to the solution of San Francisco's street traffic problem now appears to be assured by the recent activities of the newly organized independent traffic commission. Dr. Miller McClintock, under whose direction the Los Angeles and Chicago surveys are being carried on, has been retained as traffic consultant, a resident engineer has been appointed, and the organization of a local technical staff is under way.

Now that the magnitude and complexity of the traffic problem have thus been recognized, a comprehensive survey giving the necessary physical data

concerning local conditions will be immediately undertaken, and remedial measures in the future can properly be based upon pre-determined facts rather than upon easy assumptions or opinions resulting from casual observation.

The first cost of a traffic survey and the subsequent cost of keeping it up to date will be more than justified if it results in only a very small degree of relief. The Committee on Metropolitan Traffic Facilities in its report to the National Conference on Street and Highway Safety estimates the annual loss due to traffic accidents in the United States at $600,000,000, and additional losses resulting from congestion at more than $1,400,000,000. This is equivalent to a loss of $20 per capita on the entire population of the country. It may be argued that this national per capita loss does not apply proportionately to San Francisco, but it must be admitted that there is a loss. Even though this may be only a fraction of the national average, the expenditure of the relatively small amount required for the maintenance of an adequate organization for the purpose of providing a sound basis for a comprehensive traffic improvement program is easily warranted. With basic data available relating to the increase and distribution of population and vehicles, street, highway and transit facilities, industrial and commercial developments, schools, recreational facilities and the many other factors affecting traffic, the development of necessary regulatory measures becomes relatively simple, and gratifying if not wholly satisfactory results can reasonably be expected.

In view of the many physical developments now contemplated or actually under way throughout the city it is essential in the interests of economy and efficiency that any major traffic plans should include all projects having or likely to have any effect on the movement of traffic in or through the city. The matter of bridging the bay, now being actively considered, constitutes one of the vital factors affecting traffic because of the terminal facilities and approaches that will necessarily have to be provided. The Duboce Tunnel, War Memorial and Civic Center developments, Bay Shore Highway and the Municipal Airport will all have some effect on the flow of traffic and must therefore be considered along with all other pertinent factors.

Obviously a comprehensive traffic survey is an undertaking of some moment, worthy of the time and attention of qualified experts together with the moral and financial support of the community as a whole. Proper consideration of regulatory legislation by the Board of Supervisors and adequate enforcement by the Police Department will be greatly facilitated if these public officials are fortified with all relevant data covering the premises supplied by an independent fact finding agency supported and endorsed by the public at large.

Aside from the purely local aspects of the problem which will be handled by this commission in co-operation with city officials, the local inter-

ests of other communities throughout the state are to be co-ordinated by the recently organized California Municipal Traffic League, an organization of public officers whose duties relate to the making or enforcing of traffic laws together with representatives of private or quasi public organizations interested in the subject. The announced purpose of this League, organized as a result of a meeting called by the San Francisco Board of Supervisors, is to "promote the public welfare by securing uniformity in the adoption and enforcement of traffic laws and regulations and the promotion of public safety in the use of public highways." It is to be a statewide organization with representation from all communities affected by or having an interest in highway transportation. Efforts are to be made to secure the adoption of a uniform code of traffic regulations covering the basic fundamentals of vehicular operation and pedestrian control, in order that much of the confusion now existing may be eliminated and motor travel throughout the state may be facilitated with due regard to the public safety.

These developments indicate a realization on the part of the public that traffic after all is commerce, and that the growth and development of a community depends on the effectiveness of the transportation facilities provided by its streets and highways to fully as great an extent as to those provided by its railways and steamship lines. City streets and inter-city highways are most emphatically a vital part of modern community development, commercially and otherwise, and any movement to facilitate safe and expeditious transportation over them should meet with unqualified public approval.

Bureau Officers Elected

Mr. Daniel E. Koshland was elected chairman of the Board of Trustees of the Bureau at a meeting of the Board held July 13th and assumed office immediately. Mr. John H. McCallum was elected Vice-Chairman and Mr. James J. Fagan was re-elected Treasurer.

Mr. Koshland has served as Vice-Chairman for the past two years and succeeds Mr. E. Clarence Holmes, who remains a member of the Board.

Mr. Holmes was recently elected president of the National Association of Building Owners and Managers and resigned from the chairmanship of the Bureau Board in order that he might give the time and attention necessary to his new office.

Recent Municipal Events

PLANS FOR REAPPRAISAL OF LAND VALUES PROGRESSING: On the recommendation of the advisory committee recently appointed by the Board of Supervisors in connection with the revaluation of all taxable land in the city and county, James G. Stafford, a valuation

expert who has performed similar services in many California cities including Los Angeles, has been retained to superintend the reappraisal work which will be started early in August.

EXPIRATION DATES OF STREET RAILWAY FRANCHISES SOUGHT: A resolution directing the City Attorney to investigate the franchises of the privately owned street railways in San Francisco and submit a report on their expiration dates has been introduced in the Board of Supervisors and referred to the Finance and Public Utilities Committees.

PROPERTY PURCHASED FOR WAR MEMORIAL SITE: The St. James Hotel property at Fulton Street and Van Ness Avenue has been purchased by the Board of Supervisors for $180,000. This represents the last private holding to be acquired by the city in the block bounded by Van Ness Avenue, Franklin, Fulton and McAllister Streets which is the city's contribution for War Memorial purposes. According to present plans, the War Memorial buildings will occupy this block and the adjoining block to the south.

BAY BRIDGE HEARINGS SET FOR AUGUST 3rd: The Board of Supervisors will start hearings August 3 on fourteen applications for franchises to bridge, tunnel, or bridge and tunnel San Francisco Bay, although a decision has not yet been announced by the War Department as to whether it will modify its 1921 ruling prohibiting a bridge north of Hunter's Point. This decision was based on the representation that the bay would become a natural base for operations for a fleet in event of war, and that no construction should be allowed which would interfere with the assembly of a fleet in the bay, or the possible destruction of which would obstruct the movements of the fleet.

Of the fourteen proposals before the Board of Supervisors, three are for bridges from Hunter's Point to Alameda which can be built without a modification of the 1921 ruling. One tunnel proposition also would be permitted under the ruling. Two applications are for tubes under the ship channel and bridge or viaduct construction for the remainder of the distance to the east bay shore. The other eight projects are for various types of direct bridge connection with Oakland or Alameda, the construction of which would necessitate some modification of the War Department's present restrictions.

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The City

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Modesto Standby Contract

Power Earnings Must Be Applied To Debt Charges

State and Charter Amendments

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Modesto Standby Contract

The Board of Supervisors by a vote of 15 to 3 overrode the Mayor's veto of an ordinance authorizing the Board of Public Works to enter into a contract to supply the Modesto Irrigation District with electrical standby service from the City's Moccasin Creek power plant. The agreement obligates the City to furnish standby service at a minimum monthly charge of $375 for 3000 kilowatts plus a charge of 4.7 mills per kilowatt hour for power actually used.

The Mayor and the City Engineer opposed the terms of the contract, which involve many technical questions, and particularly the price stipulated for the service.

The Raker Act, by which Congress granted the City the right to develop Hetch Hetchy, requires the City to furnish the District with power at cost for pumping and municipal purposes within the District but not for sale to private persons or corporations. To comply with this act the price should be based on the cost of production and delivery, but this cost has not been officially determined.

The City Engineer has developed figures which show the contract price to be far below cost. He also submitted information which indicates that it is far below that of other standby contracts and established rates.

Under the terms of the City's contract with the Pacific Gas & Electric Company, the Company has been taking the entire output of the plant continuously on a 75 per cent load factor and the return to the City for 3000 kilowatts, the quantity involved in the Modesto contract, is approximately $90,000 annually. Standby service contemplates the actual delivery of power only when it cannot be supplied from the regular source on account of some mishap or seasonal shortage. According to the City Engineer, the Modesto District will probably call upon the City for but a very small amount of power during a year and that on only a 25 per cent load factor and if 3000 kilowatts are held in reserve for the District, the City's loss will be the difference between $90,000 and the $4500 minimum charge less the charge at 4.7 mills per kilowatt hour for power actually used.

Proponents of the contract contend that all or any part of the 3000 kilowatts when not required by the Modesto District will be delivered to the Pacific Gas & Electric Company and that there will be no loss.

However, every distributor of electrical energy must have a dependable supply adequate to meet the regular demands upon the system and it seems obvious that two distributors cannot both depend upon the same power from the same source at the same time. By the terms of the contract the Modesto Irrigation District is guaranteed a part of the Hetch Hetchy supply for which the City has been receiving a certain return and the price to the District for this service should be sufficient to cover the cost of production.

Power Earnings Must Be Applied To Debt Charges

The decision of the State Supreme Court in the case of Adolph Uhl vs. the City and County to the effect that the surplus earnings of a public utility cannot be employed to make extensions and improvements until the debt charges on the bonds of such utility have been provided for, not only brought about a 16-cent reduction in the tax rate but also postpones the construction of the proposed power transmission line from Newark to San Francisco, or other major extensions to the system until they have been sanctioned by a vote of the people or until charter requirements are met.

The Board of Supervisors, by ordinance, had set aside the major portion of the surplus power earnings for the extension of the transmission line, but inasmuch as the debt charges on the 1910 water bonds from the proceeds of which the power plant was built are in excess of the power revenues, the decision leaves no funds available for this purpose.

Relative to the extension to the transmission line, the court said in part: "It is for the voters to say whether they are ready at this time to assume the costs of such extension" and, "It would seem to be a useless expenditure of funds in the absence of a distributing plant, the acquisition or construction of which, considering its enormous cost, might possibly never be sanctioned by the taxpayers."

In answer to the contention of the city that the power plant is a separate utility and should be called upon to pay debt charges only on that portion of the Hetch Hetchy bonds used in the construction of the power system, the court held that it was only by assuming that the power plant is not an independent utility but an element of the water project that there is any justification for any expenditure of the 1910 water bond issue for its construction.

State and Charter Amendments

Twenty-eight State measures and eleven City Charter amendments will appear on the ballot for the November 2 election.

Of the State measures, three call for the issuance of bonds, six have to do with altering rates of taxation or exemptions therefrom, two deal with financing highway construction, two are reapportionment measures, two give new powers to the courts, and two affect the salaries of State officials. The others deal with various constitutional changes or general policies such as the repeal of the Wright Act, legalizing horse racing and requiring the Bible in the schools.

The eleven Charter amendments would provide for an airport outside the limits of the City, the semi-monthly payment of municipal salaries, an increase in the salaries of the Mayor and Supervisors, acceptance of the

Palace of Fine Arts site, a retirement allowance for certain retired teachers not now included in the City retirement system, placing playground employees under Civil Service, ratification of the Mayor's appointments by the Board of Supervisors, placing additional wage fixing powers in the Board of Supervisors, a hospitalization system for municipal public utility employees, and changes in the school laws affecting tax levies for school purposes and the selection of teachers.

The Charter amendments and State measures of a governmental nature will be analyzed in a later issue of "The City."

Recent Municipal Events

TAX RATE FINALLY FIXED AT $3.66: The tax rate for the City and County of San Francisco for the fiscal year 1926-27 has been finally fixed by the Board of Supervisors at $3.66 on each $100 of assessed valuation. This is 47 cents less than last year's rate of $4.13. The Finance Committee of the Board originally proposed a rate of $3.82. This was predicated on the use of sufficient surplus power revenue to cover debt charges on $9,000,000 of Hetch Hetchy bonds. A decision of the State Supreme Court, in a taxpayer's suit, compelling the Supervisors to apply all of the surplus power revenue to these debt charges, reduced the amount necessary to be raised for this purpose by taxation and cut the rate 16 cents.

LAND VALUATION UNDER WAY: The reappraisal of all assessable land in the City and County, being carried on under the direction of the Advisory Committee appointed by the Board of Supervisors, is progressing rapidly and much interest is being shown by the citizens who are giving their time and attention to the undertaking. The City has been divided into 131 districts and committees of property owners and others familiar with property values are being appointed to fix the values for each district. In about one-third of the districts the committees are already actively at work. The schedule calls for completion of the valuation prior to July 1, 1927.

FURTHER MOVE TO ESTABLISH EMBARCADERO BUS LINE: The Board of Supervisors has adopted an ordinance authorizing the Board of Public Works to purchase busses for the proposed Embarcadero bus line in the open market. This action was taken to break the deadlock resulting from the failure to award a contract for these busses under a previous ordinance which provided for competitive bidding.

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The City

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Analysis of State Measures and Charter Amendments With Recommendations

Issued by the

San Francisco Bureau of Governmental Research

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"An incorporated non-partisan citizens' agency to study public business, co-operate with officials and specifically work for economy and efficiency in municipal affairs."

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Summary of Recommendations

STATE MEASURES

No.		
1.	Veterans' Welfare Bond Act of 1925	No action
2.	Taxing Highway Transportation Companies.	No action
3.	Oleomargarine	No action
4.	Gasoline Tax	Approved
5.	Salaries of State Officers	No action
6.	Racing	No action
7.	Taxation of Short Line Steam Railroads.	No action
8.	State Highways.	Disapproved
9.	Repeal of Wright Act.	No action
10.	Bonds for State Buildings and University Buildings.	No action
11.	Exempting Secondary Schools from Taxation.	Disapproved
12.	Tax Exemption for Veterans and Others	Disapproved
13.	Suffrage.	Approved
14.	Corporations.	No action
15.	School Districts.	No action
16.	Salaries of Judges.	Disapproved
17.	Requiring Bible in Schools.	No action
18.	Water and Power	Disapproved
19.	Pensioning Judges.	Approved
20.	Reapportionment Commission.	Disapproved
21.	Political Subdivisions Incurring Indebtedness	Disapproved
22.	Exempting Forest Trees from Taxation.	No action
23.	Election at Primary.	Approved
24.	Irrigation Districts and Transfer of Funds.	Disapproved
25.	Taxation and Local Assessment Exemption.	Disapproved
26.	Giving Appellate Courts Trial Court Powers.	No action
27.	Judicial Council.	Approved
28.	Legislative Reapportionment.	Approved

CHARTER AMENDMENTS

29.	Water Bonds.	Disapproved
30.	Air Port.	Approved
31.	Semi-monthly Payment of Salaries.	Approved
32.	Salaries of Mayor and Supervisors.	Approved
33.	Palace of Fine Arts Site.	Approved
34.	Retirement Allowance to Certain Teachers.	Disapproved
35.	School Department	Disapproved
36.	Civil Service—Playgrounds.	Disapproved
37.	Appointment to and Removal from Office.	Disapproved
38.	Wage-fixing Powers.	Disapproved
39.	Hospital Service.	Disapproved

Analysis of State Measures and Charter Amendments With Recommendations

The Bureau of Governmental Research herein analyzes and makes recommendations on certain of the twenty-eight State measures—Propositions No. 1 to 28 inclusive, and on each of the eleven proposed amendments to the San Francisco Charter—Propositions No. 29 to 39, inclusive. Relative to the State measures, the Bureau makes no analysis or recommendation on non-governmental regulatory or social measures of which there are five, nor on governmental measures of purely State concern or effect, of which there are seven. The non-governmental measures are considered by the Bureau as outside of its field as a governmental research agency; the governmental measures of purely State concern are considered as outside the Bureau's field as an agency dealing specifically with San Francisco municipal affairs, which has no direct fact-information on matters of this sort.

On the above basis sixteen of the twenty-eight State measures and the eleven proposed Charter Amendments are hereinafter discussed with specific recommendations.

State Measures

No. 1—Veterans' Bond Act—No Action

This act, proposed by the Legislature, is supplemental to a $10,000,000 Veterans' Bond Issue approved by the people in 1922. It provides for the use of the State's credit to the extent of an additional $20,000,000 of bonds, the proceeds of which are to be used, under definite restrictions, for the purchase by the State of homes or farms for veterans, the title of each such home or farm to be held by the State until the purchase price with interest is repaid by the veteran. Being purely a State measure, this is not acted upon by the Bureau.

No. 2—Taxing Highway Transportation Companies—No Action

This constitutional amendment, proposed by the Legislature, levies a tax on highway transportation companies of 4¼ per cent of gross receipts for passenger transportation and 5 per cent of gross receipts for freight transportation, such rates to be in lieu of all local or State taxes that are now applied with the exception of the gasoline tax. Half of the proceeds from the proposed rates are to be paid to the counties in which such bus transportation companies operate. The exemption from local taxation is the same as is provided for steam and electrical railways. The rates fixed by the amendment are subject to change by the Legislature by a two-thirds vote of both houses, in the same manner as all other State tax rates may be changed. Inasmuch as this amendment deals with a technical detail of the State's taxation system, it is not acted upon by the Bureau.

No. 3—Oleomargarine—No Action

This act, on the ballot by referendum, is a regulatory rather than a governmental measure, and therefore is not analyzed nor acted upon by the Bureau.

No. 4—Gasoline Tax—Approved

This is an initiative act which proposes to add one cent to the present two cent gasoline tax to be expended by the State Highway Commission for the acquisition of rights of way and highway construction. An alternative measure No. 8 on the ballot is disapproved as it contains many objectionable features discussed under that number. One-half of the revenue from the present two cent tax is expended by the Highway Commission for maintenance and repair of highways and the remaining half is apportioned among the counties in proportion to the motor vehicle registration. It is estimated that approximately $10,000,000 per year will be available from this new tax during the period from 1927 to 1939. This tax would place the cost of the construction of new highways upon the users of these highways and in proportion to the use. This measure provides definitely for the raising of necessary funds, permits of a pay-as-you-go plan, and will make possible a much needed State program of highway construction. Recommended that this be approved.

No. 5—Salaries of State Officers—No Action

This constitutional amendment, proposed by the Legislature, provides for salary increases for the Secretary of State, Controller, Treasurer and Surveyor General to $7,000 per year, and for the Attorney General and Superintendent of Public Instruction to $8,000 per year. It also eliminates the existing limitation of $1800 per year for clerical salaries in the above offices. Being purely a State measure with no local effect, this is not acted upon the Bureau.

No. 6—Racing—No Action

This act, on the ballot by initiative, is a regulatory measure dealing with a social question rather than a governmental matter and is therefore not analyzed nor acted upon by the Bureau.

No. 7—Taxation of Short Line Railways—No Action

This constitutional amendment, proposed by the Legislature, provides for a tax rate of 5¼ per cent on gross revenues of all short-line independently-operated steam railways. This is in lieu of the 7 per cent rate which now applies to all steam railways, both main line and short line. The proposed 5¼ per cent rate is the same as the existing rate for street and interurban electrical railways. Inasmuch as this amendment deals with a technical phase of the State taxation system and has no effect on San Francisco, it is not acted upon by the Bureau.

No. 8—State Highways—Disapproved

This is an initiative constitutional amendment for the classification of State highways. It proposes to divide the counties of the State into two groups, one consisting of 45 northern counties and the other of 13 southern counties, and to arbitrarily classify the highways of the State as primary and secondary, enumerating the primary highways. It provides that $5,000,000 be appropriated annually for 12 years out of the State Treasury, 75 per cent of which shall be used for primary highway construction, and the remainder for secondary roads. This measure provides no new source for the raising of this revenue and the annual $5,000,000 appropriation will therefore necessarily be added to State taxes or will result in an ad valorem tax on all property. It provides for a sectional division of the State for highway purposes and sets up a complicated procedure for the distribution of the funds. It will make a revision of the primary highway system very difficult inasmuch as this would require a two-thirds vote of both houses of the Legislature, and a majority vote of the electorate. Under this measure, changes in the secondary highway system may be made by the voters in either the northern or southern district without reference to the other. No. 4 on the ballot, an alternative to this measure, is approved by the Bureau. Recommended that this be disapproved.

No. 9—Repeal of the Wright Act—No Action

This act, on the ballot by initiative, deals with a social question rather than a governmental matter and therefore is not analyzed nor acted upon by the Bureau.

No. 10—Bonds for State and University Buildings—No Action

This constitutional amendment proposed by the Legislature, authorizes the issuance of $8,500,000 of State bonds—$3,000,000 for replacement of obsolete University of California buildings on the Berkeley campus; $3,000,000 for University of California Southern Branch buildings in Los Angeles; and $2,500,000 for necessary State buildings in Sacramento and in Los Angeles. Being purely a State measure, this is not acted upon by the Bureau.

No. 11—Exempting Secondary Schools From Taxation—Disapproved

This is a constitutional amendment which would exempt from taxation private educational institutions of secondary grade not conducted for profit which are accredited to the University of California. While there can be no objection to private schools, the maintenance and control of education is a desirable and necessary State function. The State provides adequate educational facilities for all who desire to avail themselves of these privileges and maintenance of private schools is voluntary on the part of those conducting and supporting them. This amendment would

have the effect of exempting considerable property from taxation and is considered an undesirable extension of the principle. Recommended that this be disapproved.

No. 12—Tax Exemption for Veterans and Others—Disapproved

This constitutional amendment would extend the $1000 tax exemption now allowed those soldiers, sailors and marines who served in time of war to those who are released from active duty because of disability in time of peace. It would also exempt from taxation all property owned by the Ladies of the Grand Army of the Republic and by the California Soldiers' Widows' Home Association. The present exemption was to acknowledge in some measure the obligation owing to those who answered the call of their country in time of war, and it does not seem necessary that those who choose the army or the navy for a career in time of peace should be given this exemption any more than the members of any other branch of the governmental service. As to the property of the Ladies of the Grand Army of the Republic and the California Soldiers' Widows' Home Association, the Bureau is not sufficiently conversant with the conditions under which these properties are conducted to venture an opinion as to whether they should or should not be exempt from taxation. The Bureau is opposed to the linking together of two distinct propositions in one measure and also to the policy of exempting from taxation the property of special groups without good and sufficient reason. Recommended that this be disapproved.

No. 13—Suffrage—Approved

This constitutional amendment extends the absent voter privilege to those engaged in the civil and congressional service and to those who because of injury or disability are absent from their precincts or are unable to go to the polling places. The purpose of the original act and of this amendment is that no one entitled to vote shall be deprived of that vote. The present law recognizes this principle but restricts its application to certain classes and only under certain conditions. This privilege should be extended to all those who through absence or incapacity are unable to go to the polls. Recommended that this be approved.

No. 14—Corporations—No Action

This constitutional amendment, proposed by the Legislature, is a regulatory measure (dealing with the manner of increasing corporate stock or bonded debt) rather than a governmental question, and therefore is not analyzed nor acted upon by the Bureau.

No. 15—School Districts—No Action

This constitutional amendment proposed by Legislature provides for the incorporation, organization and classification of school districts, high school districts and junior college districts. Being a State measure, this is not acted upon by the Bureau.

No. 16—Salaries of Judges—Disapproved

This constitutional amendment provides that the State shall pay $3,000 per year toward the salary of each of the Superior Court judges and that the County shall pay the remainder of such salary. Under the present law, the State pays one-half of the salary and the County one-half. The amendment also repeals certain clauses which provide that no salary change shall be made during a judge's term of office and which fix salaries of Supreme Court justices and justices of the District Court of Appeal. The proposed amendment would be of benefit to the smaller counties in the State, but in the case of the larger counties, the Legislature would still have the privilege of fixing the salaries of the judges without any obligation on the part of the State to pay these beyond $3,000. The Bureau looks forward to a State judiciary system under which plan the State would pay the full amount of judges' salaries. If the counties are obligated to meet increases in the salaries of judges, they should have the authority to fix those salaries. Recommended that this be disapproved.

No. 17—Requiring Bible in Schools—No Action

This act, on the ballot by the initiative, deals with a social rather than a governmental question and is therefore not acted upon by the Bureau.

No. 18—Water and Power—Disapproved

This is the third time this initiative constitutional amendment has been on the ballot practically unchanged. It was overwhelmingly defeated at the elections of 1922 and 1924. It proposes to create a board of 5 members to be appointed by the Governor, the Chairman to be the executive officer on a full time basis at a salary of $15,000 per year, other members to serve at a per diem rate of $20 per day together with expenses when on official business. The members of the Commission could be removed only by a two-thirds vote of the Legislature or by recall of the electorate. It would authorize a blanket bond issue of $500,000,000 without any reference to specific projects. These bonds would be issued by a Finance Committee composed of the Governor, Controller, Treasurer, Chairman of the Board of Control, and Chairman of the Water and Power Board. $5,000,000 of the bonds would be sold immediately to create a revolving fund. If revenues proved insufficient to pay bond interest and redemption, with the consent of the Governor, bonds could be sold to pay such bond interest and redemption. It would permit the use of bond funds not only for acquisition, construction and development but also for operation and maintenance of such projects as the Board may deem necessary and convenient to accomplish the purposes of the measure. It would empower the Board to acquire water and power rights, land and other property necessary to conduct water and power

utilities, to exercise the power of eminent domain, to supply water and power to political subdivisions or other users, and to fix rates, to acquire or construct for political subdivisions, distributing systems for water or power purchased from the State, the costs to be repaid in 25 years, and to acquire, use or jointly use property when necessary. There is no provision restricting the Board from the duplication of existing plants. It makes no provision for maintaining operating funds for the various projects. All employees of the proposed Water and Power Board would be subject only to such Civil Service regulations as the Board may provide. It is a constitutional amendment which could be changed only by a vote of the people.

Repetition of the complete detailed analysis of this act made by the Bureau in 1922 and again in 1924 is thought unnecessary at this time. The provisions and objections enumerated above should be sufficient evidence that the amendment fails to provide for sound financing or for the proper community participation. The lack of necessary checks on the exercise of unrestricted powers in such a vast undertaking makes the amendment unacceptable as a governmental and economic measure. Recommended that this be disapprovd.

No. 19—Pensioning Judges—Approved

This constitutional amendment provides that the justices of the Supreme Court, justices of the District Court of Appeal and judges of the Superior Court who shall have served at least 24 years and who are at least 60 years old, whose term has terminated by honorable means, shall receive one-half of the salary last received in judicial office for the rest of their natural lives, and that any judge not physically or mentally incapacitated may perform active duty on request and shall be entitled to receive such salary for those services in addition to his pension, as the Legislature may prescribe, providing that no judge who engages in the practice of law after the termination of his term of office shall be eligible. The Bureau is opposed to the principle of establishing pension systems which are not founded on a scientific basis but this measure, which affects but a few, is a step in the direction of a State judiciary system and will permit of the use of the experience of former judges to clear congested calendars. Recommended that this be approved.

No. 20—Reapportionment Commission—Disapproved

This initiative constitutional amendment would create a reapportionment commission composed of the Secretary of State, Attorney General and Surveyor General, which, in case the Legislature fails at the first session after each census to adjust the senatorial and assembly districts as provided in the Constitution, would make such adjustment within three months after the adjournment of the Legislature, the report of the Commission to have the same effect as if done by the Legislature. Reapportionment under the present constitutional provision according to population

would place the control of both Houses of the Legislature in the metropolitan centers, and would deprive the rest of the State of the proper territorial representation. An alternative measure, No. 28 on the ballot, discussed under that number, would apportion the assembly districts according to population and senatorial districts according to both population and territorial area, and is considered the better of the two measures. Recommended that this be disapproved.

No. 21—Political Subdivisions Incurring Indebtedness—Disapproved

This constitutional amendment provides that when two or more propositions to incur bonded indebtedness are voted upon at one election, each proposition shall be counted separately and when two-thirds of the votes upon any one of the propositions favor that proposition, it shall be adopted. The present law provides that no bonded indebtedness shall be incurred unless approved by two-thirds of the total votes cast at such election. This measure would permit two-thirds of a small percentage of the voters to approve a proposition to incur indebtedness with which a majority of the voters were not familiar and upon which they did not vote. The obligation to meet retirement and interest charges on bonded indebtedness falls upon all of the taxpayers, and the incurring of indebtedness for any necessary and desirable project will compel interest and votes sufficient for a determination of the question at the proper time. The tendency toward increasing the bonded debt is such that every safeguard should be thrown around any proposal for expenditures which will exceed current revenues. Recommended that this be disapproved.

No. 22—Exempting Trees from Taxation — No Action

This constitutional amendment, proposed by the Legislature, would exempt from taxation immature trees for a period of 40 years. It provides for a board of State and county representatives in each county affected, for the purpose of determining the time of maturity of such trees after the 40 year tax exempt period. The exmption applies only to the growing trees and not to the land on which these are grown. Inasmuch as the amendment deals with a technical phase of taxation and has no effect on San Francisco, it is not acted upon by the Bureau.

No. 23—Election at Primary—Approved

This constitutional amendment provides that any candidate for a non-partisan office who shall receive a majority of all of the ballots cast for such office at a primary election shall be elected to that office, and when two or more candidates are to be elected to a given office and a greater number of candidates receive a majority than the number to be elected, those who secure the highest votes of those receiving such majority equal in number to the number to be elected, shall be elected. Under

the present law, the names of certain candidates who receive a majority of votes cast at the primary election must appear upon the ballot for the general election to be again voted upon. If voters have once expressed a preference, the candidates should not be compelled to enter a second campaign and the voters should not again be compelled to express their choice. This measure would, in many instances, shorten the ballot at general elections. Recommended that this be approved.

No. 24—Irrigation Districts and Transfer of Funds—Disapproved

This constitutional amendment embraces two separate and distinct propositions. The first provides that irrigation districts may acquire and hold stock in corporations subject to the same laws governing other stockholders of such a corporation. This provision is regulatory in character rather than governmental and is not acted upon by the Bureau. The second provides for the temporary transfer of funds of political subdivisions to meet obligations incurred for maintenance. The principle of temporary transfers of funds is desirable and necessary, but the measure is so drawn that the proper safeguards are not thrown around such transfers. It would permit a legislative body to order the transfer of funds under the jurisdiction of another body without the consent of that body. It provides for the approval of such transfers by the legislative body and the conditions under which the loan is to be returned when the transaction is between two political subdivisions, but it does not provide for this approval or repayment between the funds of one political subdivision, although it makes it the duty of the custodian of such funds to make the original transfer. Recommended that this be disapproved.

No. 25—Taxation and Local Assessment Exemption—Disapproved

This constitutional amendment would exempt from taxation and local assessment all property used or held exclusively for burial or other permanent deposit of the human dead, except as used or held for profit. There is a growing tendency to present measures to the people to increase the expenses of government and on the other hand to reduce the sources of revenue by exempting from taxation special classes of property, thus increasing the burden of such property as cannot secure exemption. The establishment and maintenance of cemeteries on the part of various associations is purely voluntary and large and valuable tracts of land are set apart for burial purposes which may never be used for such purposes but may ultimately be disposed of at a profit. The exemption of individual burial lots might be proper but the provisions of this measure go far beyond this in their effect. Recommended that this be disapproved.

No. 26—Giving Appellate Courts Trial Court Powers—No Action

This constitutional amendment proposed by the Legislature would

authorize the Appellate Courts in non-jury cases to act on facts presented in the trial court or additionally presented in the Appellate Court, and to hand down, if it so determines, a decision thereon contrary to, or additional to, the decision of the trial court. Its purpose is to obviate the necessity of sending cases back to the trial courts for retrial with consequent delays and additional expense. Being a measure dealing exclusively with State judiciary powers, this is not acted upon by the Bureau.

No. 27—Judicial Council—Approved

This constitutional amendment will create a judicial council consisting of the Chief Justice, one associate justice of the Supreme Court, three justices of the District Court of Appeal, four judges of the Superior Court, one judge of a Police or Municipal Court, and one judge of an inferior Court. It would be the duty of this council to simplify and improve the administration of justice, to submit suggestions in the interest of uniformity and the expedition of business, to adopt or amend rules of practice and procedure for the several Courts, and to report to the Governor and the Legislature at the commencement of each regular session, such recommendations as it may deem proper. The creation of this council composed of members of the Judiciary qualified to suggest improvements in the administration of the Courts is a desirable step and should result in simplifying and expediting judicial procedure. Recommended that this be approved.

No. 28—Legislative Reapportionment—Approved

This constitutional amendment is an alternative to No. 20, and provides for reapportionment by dividing the State into 80 assembly districts and 40 senatorial districts, the 80 assembly districts to be as nearly equal in population as may be, based on the 1920 federal census, and the 40 senatorial districts to be formed so as no County or City and County shall contain more than one senatorial district and the counties of small population to be grouped in districts not to exceed 3 counties in any one senatorial district, one assemblyman to be chosen from each assembly district and one senator from each senatorial district. This amendment would also create a commission to make the apportionment if the Legislature fails to act, which is the principal purpose of No. 20. This is the Federal plan of apportionment and is calculated to give representation according to population in the lower house and according to territorial area in the upper house.. A balance of power as between the metropolitan centers and the rural districts is thus preserved. Recommended that this be approved.

Charter Amendments

No. 29—Water Bonds—Disapproved

This charter amendment excludes water bonds heretofore issued or which may be hereafter issued from any limit and fixes the bond limit

for other purposes at 12 per cent of the assessed valuation of property. Exposition bonds and any indebtedness which may be incurred for the purchase of the Market Street Railway system, previously exempted from the debt limit, would still remain exempt.

The present provisions of the Charter limit the indebtedness including water bonds to 15 per cent of the assessed valuation with the Exposition and Market Street Railway purchase bonds exempt as noted. The total bonding capacity under the 15 per cent limit on the present assessed valuation is $113,000,000. On July 2, 1926, bonds outstanding and authorized but unsold exclusive of Exposition bonds amounted to $87,000,000 leaving a bond leeway of $26,000,000 at the present time.

Although the question has not been definitely determined, the Bureau believes that school bonds to the extent of over $17,000,000 cannot be controlled by any Charter limitation, and that they are also exempt from the 15 per cent limitation. If this is correct, the present leeway is $43,000,000. It is estimated that between $7,000,000 and $8,000,000 will be added to this leeway each year through the redemption of outstanding bonds and the increase in the assessment roll.

Under the proposed amendment the leeway for general purposes would immediately be increased to $51,000,000 on the basis that school bonds are included in the limit, and to $68,000,000 if they are excluded, with no limit for water bonds.

The so-called New York 7 per cent law provides that the funds of Savings Banks cannot be invested in the bonds of a city whose indebtedness, less its water debt and sinking funds, exceeds 7 per cent of the valuation for purposes of taxation. The marketability of municipal bonds is controlled to a great extent by this law, and if the proposed amendment fixing the limit at 12 per cent and exempting water bonds should be adopted, the credit of the City may be seriously affected.

The estimated cost of completing the Hetch Hetchy tunnels and pipe line which will bring the water to the Crystal Springs Lake is $24,000,000. Under normal conditions this will require at least three or four years' time. The present minimum debt leeway of $26,000,000, together with the $7,000,000 or $8,000,000 which will be added each year is sufficient to cover the cost of this construction and to meet other demands for proposed municipal railway extensions, etc.

The City has an option to purchase the property of the Spring Valley Water Company for approximately $38,000,000 which does not expire until the end of 1933. The present leeway for new debt will not permit of both the completion of Hetch Hetchy and the purchase of Spring Valley at this time. With the average annual increase in the City's leeway for new debt. and with school bonds excluded from the present limit, there will be such leeway within three or four years.

If the City desires to initiate action to purchase Spring Valley it can do so immediately despite the limit (which, according to the former City Attorney, legally becomes operative, not when bonds are voted but when they are sold). It can concurrently propose a charter amendment to exempt bonds voted for such purpose, and this can be acted on by the 1927 Legislature. If the purchase carries by a two-thirds vote, the amendment, requiring only a majority, will also carry.

The Bureau believes that the 12 per cent leeway for general purposes as proposed by amendment No. 29 is high, in comparison with other cities and in relation to the New York law, which affects the marketability and price of municipal bonds. There is sound basis, however, for the exemption of future water bonds, or of all water bonds, if the possible debt for other purposes is properly limited. Recommended that this be disapproved.

No. 30—Air Port—Approved

This charter amendment provides that the City may purchase or lease property within or without the City Limits for an airport and may co-operate with other governmental agencies in its operation, management or control. There is need for the establishment of an airport by the City immediately and inasmuch as it may be necessary to go outside the city limits to obtain a site of adequate proportions an authorization to this effect is desirable and will probably be required. Recommended that this be approved.

No. 31—Semi-Monthly Payment of Salaries—Approved

This charter amendment provides for the semi-monthly payment of salaries of municipal employees. Semi-monthly payments are at present confined to those paid on a per diem basis. Several thousand employees will be affected by this amendment and it is estimated that the additional cost to the City will amount to $30,000 or $40,000 annually. The cost of paying municipal employees could be reduced materially by the use of addressographs and other mechanical devices for preparing the payrolls and warrants, and by payment in the field instead of requiring all employees to go to the City Hall for their salaries. The State law requires that private employers pay their employees twice monthly and it is only fair that this privilege be extended to municipal employees. Recommended that this be approved.

No. 32—Increased Salaries of Mayor and Supervisors—Approved

This charter amendment will increase the salary of the Mayor from $6,000 to $12,000 per annum and members of the Board of Supervisors from $2,400 to $4,000. The present salary of the Mayor is the same as was fixed in the Charter adopted over 25 years ago, and in comparison with other salaries is considered inadequate for the position. While the Bureau believes that the functions of the Board of Supervisors

should be confined to legislative matters, the Charter places upon the Board responsibility for certain administrative duties and the Board has taken upon itself many others, and many of the members give the larger part of their time to city business. Recommended that this be approved.

No. 33—Palace of Fine Arts Site—Approved

This charter amendment authorizes the City to accept from the War Department a deed to the property on which the Palace of Fine Arts is located in return for which the City is to grant the United States the right to maintain a spur track over certain city streets between Fort Mason and the Presidio reservation. The Palace of Fine Arts at the present time is maintained by the City and $100,000 was appropriated in this year's budget for the rehabilitation of the building. The building has a reputation the world over for the beauty of its architectural design and if this amendment is adopted, its permanency will be assured. Recommended that this be approved.

No. 34—Retirement Allowance to Certain Teachers—Disapproved

This charter amendment provides that all teachers retired since 1913 and prior to the establishment of the teachers retirement system in this city in 1924 shall be entitled to a retirement allowance on the same basis as other retired teachers. It is understood that this amendment will affect approximately 150 teachers, all of whom are over 60 years of age. Inasmuch as the number affected is limited the expense attached to the measure will be a gradually diminishing one. An effort was made some months ago to have the Supervisors include these teachers in the present retirement system but the City Attorney ruled that a pension granted to one who had retired from the department prior to the bringing of the teachers under the provisions of the City retirement system would be in the nature of a gift and would therefore be contrary to the provisions of the Constitution. These teachers, however, feel that as a matter of principle, they are entitled to a retirement allowance as well as those who retired later, and that the adoption of this amendment will improve their standing before a Court in case the payments are contested. The Bureau believes that the purpose of this amendment is right in principle but cannot consistently recommend the approval of an act which the City Attorney has declared illegal. Recommended that this be disapproved.

No. 35—School Department—Disapproved

This charter amendment contains several unrelated provisions affecting the School Department. It provides for the Civil Service appointment of teachers to the elementary schools and would compel the Board of Education to conduct competitive examinations, establish eligible lists, and restrict its selection to teachers heading the lists to fill any position. It also provides for the levying of separate taxes for kindergartens, elementary schools, high schools, and other schools or

policies provided for by the State, and fixes the tax in each instance at not to exceed the maximum rate fixed by the State laws. It eliminates certain obsolete sections of the Charter limiting appropriations for school purposes and fixes certain administrative procedure. The procedure proposed for the selection of teachers is almost identical with the present method of the Board of Education except that the Board would be restricted to the person at the head of the eligible list in making appointments. The proposed amendment would still leave the responsibility for the selection of teachers in the School Board but would restrict the Board's administrative powers. There does not seem any sound reason for making this change. The State laws govern taxation limitations for school purposes and these cannot be controlled by Charter. Charter provisions which would conform to State laws at the present time would necessarily become obsolete if not further amended whenever State laws are changed. The writing of administrative detail into the organic law of the City is also considered unnecessary and inadvisable. Recommended that this be disapproved.

No. 36—Civil Service for Playgrounds—Disapproved

This charter amendment would add the playgrounds to the list of departments now under Civil Service and would blanket in about 60 employees who have served in their positions for more than one year. If this amendment should pass, it would result in eliminating from Civil Service provisions over 300 employees of the School Department on account of an error in drafting, and for this reason the Civil Service Commission and the Board of Supervisors have requested that this amendment be defeated. The Playground Commission is opposed to the measure on the basis that it would restrict the Board in its selection of suitable playground instructors, contending that personality and temperament enter into the selection of these employees to a great extent and that these qualifications cannot be determined by Civil Service examination. Irrespective of the principle involved, the fact that an error in drawing the amendment would eliminate over 300 employees of the School Department, is sufficient cause for defeating this amendment. Recommended that this be disapproved.

No. 37—Appointment to and Removal from Office—Disapproved

This charter amendment provides that all appointments of the Mayor shall be ratified by the Board of Supervisors, and provides further that six members of the Board of Supervisors may prefer charges of malfeasance or nonfeasance against any appointee of the Mayor, the appointee to be tried by the Board of Supervisors and removed if the charges are sustained by a two-thirds vote of the Board. Under the present Charter provisions the Mayor appoints the members of the various Boards and Commissions and is therefore responsible for their actions. Under the proposed amendment, the Board of Superviors could

not initiate appointments and the Mayor's appointments would not stand without the ratification of the Board of Supervisors. Thus all semblance of responsibility for these appointments would be removed both from the Mayor and from the Board. This procedure is contrary to the principles of responsible government as laid down by the framers of the present Charter and is opposed to the nation-wide trend in the field of improving municipal government. Recommended that this be disapproved.

No. 38—Wage Fixing Powers—Disapproved

This charter amendment provides that the Board of Supervisors shall fix all wages in all departments and offices intended to become subject to the salary standardization provisions of the Charter until such provisions become effective. In 1924 the people adopted an amendment to the Charter which provides for the classification of positions in the City service according to duties and responsibilities and the standardization of salaries by the Board of Supervisors on this basis. In conformitv with this amendment the Board of Supervisors requested the Civil Service Commission to prepare such a classification and this work is now in progress. It is now within the power of the Board to accomplish in a scientific manner that which this amendment proposes to do unscientifically, and no sound reason exists for any temporary substitute. Recommended that this be disapproved.

No. 39—Hospital Service—Disapproved

This charter amendment provides for the establishment of a hospitalization system for employees of any municipal public utility. It provides further that the members shall contribute one-half the cost of such system not to exceed $1 per month, the City to bear the balance of the cost which would become a charge against the utility affected. It would create a Board of Administration composed of the Chairman of the Finance Committee of the Board of Supervisors, the Auditor, City Attorney, and four active members of the hospitalization system. This Board would be authorized to appoint a secretary and other necessary employees under Civil Service provisions and would be the sole judge as to conditions under which persons may be admitted to the benefits of the system and have exclusive control of its administration. The Board as constituted by this proposed amendment would consist of three city officials and four members of the system, and control and management of a governmental function would be in the hands of the beneficiaries of the system. This unsound feature of the amendment should be sufficient in itself to cause its defeat. In addition there seems little reason for selecting but one class of city employees for this added privilege. This would inaugurate a new municipal welfare activity without any scientific determination of the cost or provisions for meeting such cost. Recommended that this be disapproved.

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City Wage in Relation to 1927 Impartial Wage Board Scale

Recent Municipal Events

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City Wage in Relation to 1927 Impartial Wage Board Scale.

An analysis has been made of the 1927 wage scale for the building crafts, as recently promulgated by the Impartial Wage Board, in comparison with the wages now paid in the several departments of the City which employ craftsmen of the various groups covered by the Wage Board's award.

The comparisons are based purely on per diem rates and do not take into account the more favorable compensation conditions that apply to municipal employment, such as two weeks annual vacation with pay, pay for Saturday half-holidays, city contribution toward Employees Pension Fund, etc. The cost to the city of these additional allowances would add about 15 per cent to the city's pay-roll as compared with the pay-roll of a private contractor, if both paid the same rates.

The crafts enumerated in the following Table I. are and have been receiving in the city service, rates of pay equivalent to those recommended by the Impartial Wage Board, although these rates, for craftsmen employed by private firms, represent increases of 50c or $1.00 per day over the Impartial Wage Board's previous scale.

TABLE I.—CRAFTS NOW PAID AT THE WAGE BOARD 1927 SCALE

Dept.	Crafts	No.	Wage Board 1927 Scale	Present City Scale
Public Works	Bricklayers	9	$11.00	$11.00
" "	Carpenters	35	9.00	9.00
" "	" Helpers	7	6.50	6.50
" "	Cement Finishers	8	9.00	9.00
" "	Electrical Workers	3	9.00	9.00
" "	Electrical Helpers	2	6.50	6.50
" "	Stationary Engineers	16	8.00	8.00 (1)
Electricity	Electrical Workers	17*	9.00	9.00 (2)
Fire	" "	1	9.00	9.00
Health	Stationary Engineers	2	8.00	8.00 (1)

*Includes wiremen, cable splicers, fire alarm operators, instrument makers.

(1) Monthly rate, $200.00.

(2) Some $9.00 per day, others $225.00 per month.

If the scale of the Impartial Wage Board is to be applied to the City's service, no change need be considered in the present compensations of employees of the city in the several crafts enumerated above.

CRAFTS PAID LESS THAN THE WAGE BOARD'S SCALE

The present city per diem rates for the crafts enumerated in the following Table II. are less than the rates recommended by the Impartial Wage Board for 1927.

TABLE II.—CRAFTS NOW PAID LESS THAN WAGE BOARD'S 1927 SCALE

Dept.	Craft	No.	Wage Board 1927 Scale	Present City Scale	Increase in Rate	Incr. Cost, Year (300 Days)
Public Works	Painters	36	$9.00	$8.35	$0.65	$7,020
" "	" Helpers	1	6.50	6.00	.50	150
Fire	Painters	2	9.00	8.35	.65	390
		39				$7,560

If the Impartial Wage Board's 1927 scale is to be applied to the city service, employees in the above enumerated crafts would be entitled to the amount of increases shown, which on the basis of the number of employees for November last, would add $7,560 a year to the city's wage bill.

CRAFTS PAID MORE THAN THE WAGE BOARD'S SCALE

The present city per diem rates for the crafts enumerated in the following Table III. are in excess of the rates recommended by the Impartial Wage Board for 1927 employments. The rates, as recommended by the Wage Board, represent increases of 50c and $1.00 per day over the Board's previous scale.

TABLE III.—CRAFTS NOW PAID MORE THAN WAGE BOARD'S 1927 SCALE

Dept.	Craft	No.	Wage Board 1927 Scale	Present City Scale	Excess in Rate	Excess Cost, Year (300 Days)
Public Works	Hod Carriers	12	$7.00	$ 9.00	$2.00	$ 7,200
" "	Lab., Common	362	5.00	6.00	1.00	108,600
" "	" Bldg.		5.50			
" "	Painters, Shop	1	8.00	8.50	.50	150
" "	Plumbers	21	9.50	10.00	.50	3,150
" "	Steam Fitters	9	9.50	10.00(1)	.50	1,350
" "	Stone Cutters	20	8.50	9.00	.50	3,000
" "	Truck Driv. 1¼ T.	37	5.50	7.00	1.50	3,000 Est.
" "	" " 2¼ T.		6.00	7.00	1.00	
" "	" " 3¼ T.		6.50	7.00	.50	
" "	" Over 3¼ T.		7.00	7.00		
Electricity	Laborers	3	5.00	6.00	1.00	2,700
Fire	Cabinet Workers	2	8.00	9.00	1.00	600
"	Laborers	3	5.00	6.00	1.00	900
Health	Plumbers	1	9.50	10.00(2)	.50	150
School	Cabinet Workers	2	8.00	9.00	1.00	600
"	Painters, Shop	3	8.00	8.50	.50	450
		476				$131,850

(1) Both $250.00 per month and $10.00 per diem.
(2) $250.00 per month.

Therefore, if the scale of the Impartial Wage Board for 1927 is to be applied to the city's service the rates for employees in the above mentioned crafts, totaling 476 during November, would be subject to reduc-

tion in the amounts shown, at an estimated total reduction in the City's wage bill of approximately $132,000 annually.

Recent Municipal Events

BAY BRIDGE DEVELOPMENTS: The City Attorney has advised the Supervisors that the City cannot select a site and prepare plans for a toll bridge to be built by the highest bidder; that a municipal bridge cannot be privately financed nor can the City issue bonds which are a lien against the bridge only; and that the Supervisors cannot employ advisory engineers as the Board of Public Works has sole responsibility for engineering information. The City Attorney has been requested to report on methods of procedure to secure a publicly-owned bridge. A pending resolution seeks to appropriate $50,000 for the employment of expert assistance, and to authorize the City Engineer's office to report on the engineering feasibility of all bridge plans. Press reports indicate that a measure will be presented to the next Legislature proposing a State bond issue for a vehicular Bay toll bridge as a unit of the State highway system.

STREET RAILWAY FRANCHISES: The joint Finance and Public Utilities Committee has been authorized by the Supervisors to study the street railway situation, in view of the early expiration of important franchises of the Market Street Railway, and to report a program for the acquisition of all privately-owned lines and for their consolidation with the Municipal Railway under public management. The joint committee is empowered to name an advisory committee of citizens to assist in the study.

VALUATION OF POWER SYSTEMS: The City Attorney has reported to the Supervisors that the hearings of the State Railroad Commission on the valuation of the properties of the two local systems, which the city may take over for the municipal distribution of power, will not be completed until April next. The valuation proceedings and subsequent hearings have been underway almost two years. The cost to the city to date has been $291,798 and it is estimated that it will cost $25,400 more before the hearings end.

UTILITIES COMMISSION PROPOSED: The Supervisors' Public Utilities Committee has under consideration a resolution which authorizes the Committee to study the administration of municipal utilities by a commission or commissions and to report at the earliest opportunity.

NEW GARBAGE PROPOSALS: A resolution that the garbage collection rates be reduced by 25 per cent has been sent to the Supervisors' joint Health and Finance committee. The Health Committee also is considering an offer of a company to pay the City $50,000 annually for an exclusive contract to collect all refuse and to use the city incinerator.